







# **INDIVIDUALISM AND SOCIALISM**



*Books by* KIRBY PAGE

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A Study of the Origins, Results and Prevention of War

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A Synthesis of Religion and Radicalism

INDIVIDUALISM AND SOCIALISM

An Ethical Survey of Economic and Political Forces

# INDIVIDUALISM AND SOCIALISM

*An Ethical Survey of  
Economic and Political Forces*

*by*

KIRBY PAGE

*Editor of  
"World Tomorrow"*

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## FOREWORD

Out-of-their-own-mouths is the method frequently used in these pages. In numerous instances I have summoned witnesses to tell their own story. This procedure is followed, in spite of the irritating effect of endless quotations, because the reader is more likely to be interested in these first-hand testimonies and in the conclusions of specialists in various fields than in a mere expression of my personal opinions.

Factual data abound herein because I have assumed that the general reader does not have easy access to relevant sources, or lacks time to make the required research. It is hoped that teachers, clergymen, and other educators will find this volume a convenient source-book and handy reference work.

The multiplicity of footnotes will indicate the extent of my obligation to countless authorities. My especial thanks are extended to the following persons who kindly read sections of the manuscript and offered critical and constructive suggestions: Harry F. Ward, J. B. Matthews, Scott Nearing, Reinhold Niebuhr, Elisabeth Gilman, Devere Allen, B. C. Vladeck, H. C. Engelbrecht, Francis Henson, Nathan Fine, and Paul H. Douglas. I am grateful to Betty Parker Wilks for efficient help in typing the manuscript.

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# **INDIVIDUALISM AND SOCIALISM**



## Chapter I

### THE THEORY OF INDIVIDUALISM

**D**OWN to the financial crash of 1929 no popular slogan received louder applause when proclaimed at a meeting of the local Chamber of Commerce than the cry: "Less government in business, and more business in government." Everywhere merchants, industrialists and bankers sung the praises of individualism and sincerely believed themselves to be its zealous advocates. But they were self-deluded, and the proof of their inconsistency is written across the record of commerce and finance from the early days of the industrial revolution.

To grasp the significance of the contrast between the theory of laissez-faire and the practices of business men, it is necessary to put oneself back into the atmosphere of the sixteenth and seventeenth centuries. Autocratic government everywhere prevailed, and was undergirded by the doctrine of the divine right of kings. The power of the state extended to all realms of life, and found expression in regulations covering apprenticeship, wages, hours of labor, and prices. Foreign trade was governed by drastic mercantilistic regulations. In every direction the individual was frustrated by social restraints and compulsions.

At the end of the seventeenth century a combination of forces—intellectual, religious, and economic—began to weaken the power of the state, and to open the doors to personal freedom. The doctrine of natural liberty, the contract theory, the principle of toleration, the emphasis upon the value of the individual, the ideal of equality, the dynamic of inventions in the realms of production, communication, and transportation—all these accelerated the pace at which the old order was being undermined.

The pendulum swung to the other extreme, and soon the theory of laissez-faire was dominant. Economists, political scientists, and religionists joined in acclaiming self-interest as the driving motivation and competition as the purifying fire. That men are inherently

selfish and that the desire for gain is a necessary incentive in industry were not seriously questioned. Nor was there doubt that the competitive struggle produces beneficent results alike for the individual and for society. Indeed, the assumption was general that profit for the individual must necessarily be gain for the group. "Personal interest," wrote an enthusiastic advocate, "compels each man vigorously and continuously to perfect and to multiply the things he seeks to sell. He thus enlarges the mass of pleasures he can produce for other men in order to increase the mass of pleasures other men can produce for him in exchange. The world thus advances of itself." Adam Smith expressed this idea bluntly: "The study of (a man's) own advantage naturally or rather necessarily leads him to prefer that employment which is most advantageous to society."<sup>1</sup> A committee of the House of Commons once went on record: "By following the dictates of their own interests, landowners and farmers become, in the natural order of things, the best trustees and guardians for the public."<sup>2</sup> Another Parliamentary committee, of which Robert Peel was a member, argued that "an enlightened view of their own interests would always compel managers of railroads to have due regard to the general advantage of the public."<sup>3</sup> It was Hume who said: "The sole trouble Virtue demands is that of just Calculation, and a steady preference of the greater Happiness."<sup>4</sup>

Religious leaders swelled this chorus of praise. "By making the passion of self-love beyond comparison stronger than the passion of benevolence," wrote the clergyman Malthus, "the more ignorant are led to pursue the general happiness, an end which they would have totally failed to attain if the moving principle of their conduct had been benevolence."<sup>5</sup> Archbishop Whately declared in a passage often quoted: "It is curious to observe how through the wise and beneficent arrangement of Providence, men thus do the greatest service to the public when they are thinking of nothing but their own gain." The great Edmund Burke once remarked that we should be filled with "thankfulness to the benign and wise Disposer of all things, who obliges men, whether they will or not, in pursuing their own selfish interests, to connect the general good with their own individual success. . . . But if the former is avaricious? Why, so much the better—the more he desires to increase his gains, the more interested is he in the good condition of those upon whose labour his gains must depend."<sup>6</sup>

Self-interest was likewise eulogized in the name of religion by

William Blackstone, the renowned legal authority: "As, therefore the Creator is a being, not only of infinite power and wisdom, but also of infinite goodness, he has been pleased so to contrive the constitution and frame of humanity, that we should want no other prompter to enquire after and pursue the rule of right, but only our self love, that universal principle of action . . . he has not perplexed the law of nature with a multitude of abstracted rules and precepts . . . but has graciously reduced the rule of obedience to this one paternal precept, 'that man should pursue his own true and substantial happiness.' This is the foundation of what we call ethics or natural law." <sup>7</sup>

An ancestor of J. Pierpont Morgan, the Reverend Joseph Morgan, actually praised greed more highly than love: "Each man coveting to make himself rich, carries on the Publick Good: Thus God in His Wisdom and Mercy turns our Wickedness to Publick Benefit. . . . A rich Man is a great friend of the Publick, while he aims at nothing but serving himself. God will have us live by helping one another; and since Love will not do it, Covetousness shall." <sup>8</sup>

State interference with the benevolent operation of self-interest and competition was regarded with extreme hostility. The proper function of government is to preserve law and order, and thus safeguard life and property. Any excursion beyond these narrow precincts was looked upon with suspicion and met with opposition. "The general rule is," wrote Dr. Franklin, "that nothing ought to be done or attempted by government; the motto or watchword of government, on these occasions, ought to be—Be quiet. . . . The request which agriculture, manufacturers, and commerce present to government is as modest and reasonable as that which Diogenes made to Alexander: Stand out of my sunshine." <sup>9</sup> Godwin once declared that "the universal exercise of private judgment is a doctrine so unspeakably beautiful that the true politician will certainly feel infinite reluctance in admitting the idea of interfering with it." <sup>10</sup>

The doctrine that private greed, expressed through the competitive struggle, automatically serves the public good, if not obstructed by governmental interference, is found in an extravagant form in the works of Bastiat: "I undertake to demonstrate the Harmony of those laws of Providence which govern human society. What makes these laws harmonious and not discordant is, that all principles, all motives, all springs of action, all interests, co-operate towards a grand final result. . . . I believe that all that is necessary to the gradual and peaceful development of humanity is that its tendencies

should not be disturbed, nor have the liberty of their movements destroyed." <sup>11</sup> And we hear James Anderson saying: "Private interest is the great source of public good, which, though operating unseen, never ceases one moment to act with unabating power, if it be not perverted by the futile regulations of some short-sighted politician." <sup>12</sup>

The theory of individualism crossed the Atlantic with the early settlers in America, and was quickly embodied in law and custom. Thomas Jefferson defined "a wise and frugal government" as one "which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned." <sup>13</sup> Gouverneur Morris, one of the founders of the Constitution, was expressing a widespread opinion when he said: "On these two pillars, property and luxury, or to call them by apposite but not gentle names, avarice and sensuality, firmly fixed, the arch of national wealth would be reared high by the hand of labor; it would be polished by science, decorated by the arts, and fitted for the footstool of freedom." <sup>14</sup>

So dominant was the theory of self-interest in the middle of the nineteenth century that Francis Bowen, Professor of Moral Philosophy in Harvard College, wrote incredible words: "Laissez-faire; 'these things regulate themselves,' in common phrase; which means, of course, that God regulates them by his general laws, which always, in the long run, work to good. In these modern days, the ruler or governor who is to be dreaded is, not the tyrant, but the busybody. Let the course of trade and the condition of society alone, is the best advice which can be given to the legislator, the projector, and the reformer. Busy yourselves, if you must be busy, with individual cases of wrong, hardship or suffering; but do not meddle with the general laws of the universe." <sup>15</sup>

The Honorable Samuel J. Tilden in 1877 thus soothed his rich friends: "While you are scheming for your own selfish ends, there is an over-ruling and wise Providence directing that the most of all you do should inure to the benefit of the people. Men of colossal fortunes are in effect, if not in fact, trustees for the public." <sup>16</sup> Four decades ago in the House of Representatives, Congressman Walker exclaimed: "The golden rule runs through all economic law, and no man can resist it, be his motive good or bad. No man can accumulate a fortune in manufacturing who does not serve his fellows a thou-

sand-fold more than his personal interest in the operation, be his motive moral or immoral.”<sup>17</sup> About 30 years ago, Mr. George F. Baer, the nation’s largest coal operator, declared: “The rights and interests of the laboring man will be protected and cared for by the Christian men to whom God has given control of the property rights of the country. Pray earnestly that right may triumph, always remember that the Lord God Omnipotent still reigns.”<sup>18</sup> At the beginning of this century, Andrew Carnegie surveyed the scene with unalloyed satisfaction: “We accept and welcome, therefore, as conditions to which we must accommodate ourselves, great inequality of environment; the concentration of business, industrial and commercial, in the hands of the few; and the law of competition between these, as being not only beneficial, but essential to the future progress of the race.”<sup>19</sup>

Just prior to the outbreak of the World War, an American banker exclaimed: “The government, instead of taxing incomes, ought to pay a premium to men achieving financial success.”<sup>20</sup> While a writer of that period declared: “No rich man growing richer need feel that he is taking from others, but rather he should rejoice that, as he grows richer, he is necessarily enriching others. . . . The danger from great wealth is purely imaginary.”<sup>21</sup> Literally thousands of similar statements could easily be assembled. Down to October, 1929, the glories of self-interest, competition, and non-interference with business by the government were being chanted by a mighty chorus of American people.

Popular enthusiasm was scarcely affected by the criticisms and qualifications of *laissez-faire* by cloistered economists. It is a significant fact that from the early eighteenth century onward most economists have felt obliged to temper their praise of unbridled individualism. Mr. Keynes reminds us that “the phrase *laissez-faire* is not to be found in the works of Adam Smith, of Ricardo, or of Malthus. Even the idea is not present in a dogmatic form in any of these authors.”<sup>22</sup> As far back as 1870, Cairnes declared: “The maxim of *laissez-faire* has no scientific basis whatever, but is at best a mere handy rule of practice.”<sup>23</sup> Mr. James M. Beck, one of the most vigorous contemporary critics of governmental interference with business, says nevertheless: “No one would suggest a *laissez-faire* policy with respect to private industry of a monopolistic character.”<sup>24</sup> President Hoover declares that “in our individualism we have long since abandoned the *laissez faire* of the 18th Century. . . .”<sup>25</sup>



While the doctrine of laissez-faire has been thus sharply qualified in theory and frequently repudiated in practice, it has, nevertheless, so colored the thought of the Western world that a dispassionate and rational consideration of the relationship of the state to industry is extremely difficult for millions of our fellow-citizens. Capitalism is still being defended on the ground that the desire for private profit is a necessary and beneficent motivation, and that the preservation of free competition is essential to economic progress. The new individualism desires a minimum of governmental interference with business.

Former President Hoover is one of the ablest exponents of "the American system" or the new individualism. In a little book published a decade ago, and in frequent addresses since that time, especially in numerous campaign speeches, he has praised the present economic order and condemned socialistic tendencies. Significant aspects of his philosophy of government may be summarized in his own words: "I emerge an individualist—an unashamed individualist. But let me say also that I am an American individualist . . . we shall stimulate effort of each individual to achievement . . . while he in turn must stand up to the emery wheel of competition . . . for the next several generations we dare not abandon self-interest as a motive force to leadership and to production lest we die. The will-o'-the-wisp of all breeds of socialism is that they contemplate a motivation of human animals by altruism alone. . . . If we throttle the fundamental impulses of man our production will decay . . . the Government must keep out of production and distribution of commodities and services. This is the deadline between our system and socialism. . . . Regulation to prevent domination and unfair practices, yet preserving rightful initiative, are in keeping with our social foundations. Nationalization of industry or business is their negation. . . . Our individualism is rooted in our very nature. It is based on conviction born of experience. Equal opportunity, the demand for a fair chance, became the formula of American individualism because it is the method of American achievement. . . . What we need today is steady devotion to a better, brighter, broader individualism. . . ." <sup>26</sup>

In a biography of Calvin Coolidge, William Allen White wrote: "We have made, despite the reactionary character and quality of our politics, through the commercial momentum of the whirring wheels, a kind of justice in the distribution of this world's goods; an equi-

table distribution which laws and political forms and customs would have denied to us under the reign of terror in our hearts. The fountain of justice blocked at its political source has gushed forth in an unexpected vent. The mysticism of Coolidge and the leaders of his day, their faith in the occult power of mere business to produce justice, is thus somewhat justified." <sup>27</sup> And Professor Carver quotes a clergyman as saying: "The preacher who can't see God in present-day economic life will never see him." <sup>28</sup>

The official journal of the Chamber of Commerce of the United States, *Nation's Business*, in its issue of August, 1932, quoted with approval Macaulay's famous observation: "Our rulers will best promote the improvement of the nation . . . by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment." While its editor, Merle Thorpe, wrote over his own signature: "During the coming months, candidates will promise relief for this and that through law, or regulation, or outright dole. Each proposal will call for additional administration and expense. To all such the voter should reply as did the French philosopher: 'That government is best which paves the way for its own resignation.' In other words, the candidate who promises 'to govern least' will get my vote."

The same Editor Thorpe had previously published a signed editorial in September, 1928, entitled, "This Amazing Decade," in which he had said: "We are living in wonderful times. The ten years since the war might well be called The Amazing Decade. Marvel upon marvel piled high. It is no figure of speech to say we have been transported to a new world. The tale of Aladdin no longer excites. Aladdin with his lamp could have done no better than has been done by man without supernatural power. . . . And if the past decade amazes what is there to say of the coming ten years? It needs no prophet to forecast the wonders of life and living in 1938. The period just ended has leaped forward by arithmetical progression: 2, 4, 6, 8, 10. The high gear of our industrial machine will bring changes in the next decade by geometrical progression: 2, 4, 8, 16, 32. It is glorious to contemplate. William Wordsworth, gazing into the early years of the Renaissance, exclaimed in ecstasy:

'Bliss was it in that dawn to be alive,  
But to be young was very Heaven!'

The American business man might well join the refrain."

At the height of the speculative boom in 1928, Professor Thomas N. Carver of Harvard University expressed this judgment: "There is absolutely no reason why the widely diffused prosperity which we are now witnessing should not permanently increase . . . a new thing has happened in this country. There are no longer any poor as that word was once understood." <sup>29</sup>

In the *Atlantic Monthly* for February, 1928, Ernest Elmo Calkins wrote of "Business the Civilizer," and concluded with these words: "That eternal job of administering this planet must be turned over to the despised business man. The work that religion, government, and war have failed in must be done by business men. . . . Business has become the world's greatest benefactor. As Emerson, with prophetic vision, observed some seventy years ago: 'After all, the greatest meliorator of the world is selfish, huckstering trade.'"

Two years after the crash of 1929, the *Financial Chronicle*, a powerful voice of Wall Street, asked editorially: "If this individualism was potent for good in the past, why not now? Changed conditions and human relations do not destroy the system, rather they make it more imperative. Why not return to the old plan of work and wage, as far as we may; relieve ourselves of the bane of bureaucracy, that now holds us in chains, and with the freedom of old in a new age, create a more rhythmic movement in which the competition of all the units will eventuate in the true co-operation of the many?" <sup>30</sup>

Six months later, a widely syndicated article declared that commerce "is based on self-interest, the one motive that is dependable. In a free land, fairly governed, it gives every man a chance to get what his service to mankind is worth. What, then, can Congress do? . . . The law can help by keeping the rules fair and preventing abuse of power. Once that is done, Congress can best serve the little man and the big one by keeping its hands off and leaving men free to work out their own salvation. When men are rebuilding after a storm, the best way to help if you can't saw boards is to keep out of the way." <sup>31</sup>

In testifying before a Senate committee in December, 1931, more than two years after the crash of 1929, Mr. Charles E. Mitchell, chairman of the National City Bank of New York, said with reference to the proposed national economic council: "In expressing my scepticism of the measure before the committee, I do not want to appear unfriendly to efforts to improve the situation. I can not help

feeling, however, that business will be governed best by the natural laws of supply and demand, which will control the situation more effectively than the best-intentioned regulatory or advisory body imposed from above could possibly do. This is not a counsel of despair, as I have heard it termed before this committee, but a counsel of common sense. . . . Government will perform its best service to industry if it permits a full freedom for the forces of supply and demand to work out in the normal way, confining its own activities to vigilance that the rules of fair play and equal opportunity for all are not transgressed. . . . My principal concern, as I view the possibilities of this bill, is that nothing be done to place a handicap upon the exercise of initiative and enterprise in industry.”<sup>32</sup>

In a publication issued by the National Association of Manufacturers in February, 1933, the reader is informed by Mr. Noel Sargent, economist of this organization, that “the primary functions of government are to maintain internal order and external security. . . . When government goes beyond these primary fields it creates bureaucracy with its attendant evils; it busies itself in everything and succeeds in little; it raises overhead tax costs so as to make any industries unprofitable and thus diminishes employment; it decreases individual effort by increasing reliance on the State.”<sup>33</sup>

An American business man published in 1933—the date is significant—a fervent exaltation of capitalism, under the title *Can Business Build a Great Age?* A diligent search through the voluminous literature of individualism would be required to find more ardent devotion to its principles than is reflected by such words as these: “The trouble with the world is not the use of capitalism but its misuse. The trouble with the world is not *laissez faire* but too much interference with ‘supply and demand.’ The trouble with the world is not too little government but too much government. . . . The solution literally is Bigger and Better Capitalism. . . . Chicago is the most progressive city in the world, because politically it is the worst. . . . Most people will now agree that ‘To hell with the public’ in business is as obsolete as the Victorian Era which gave the idea birth. It now appears that the new economics of production which compels an equivalent in consumptive powers will lead to a new attainment because the individual in realizing self works for the whole. . . . A department of commerce in a strictly individualistic country is as much an anachronism as a department for making tractors. Running to Washington with our economic troubles is all wrong. . . .

Governmental supervision smothers personality—the essence of all universal values. On the other hand, business gives expression to *the free and creative will of each individual not only as producer, but as employee and as consumer, and to the age-old, sacred instincts of aggression, which otherwise are being progressively thwarted.* . . . The competitive system is a form of unanimity with nature, an organic order, which has grown through down through the ages. . . . When business men act intelligently, competition under the profit system is more than a blind struggle between individuals; it is essentially a gyroscopic operation of the law of supply and demand. . . . Capitalism fits the biological nature of mankind.” <sup>34</sup>

## Chapter II

### CONTRASTS BETWEEN THEORY AND PRACTICE UNDER INDIVIDUALISM

FOR MORE than a century the slogan "less government in business" has been used as a club to combat social legislation. But the fact should not be obscured that throughout the reign of individualism, commercial and industrial interests have sought favors from governments. In hordes their agents have thronged legislative halls, imploring, demanding and appropriating special privileges in the form of grants, bounties, subsidies, discriminations, prohibitions, franchises and monopolies. "If the Federal Government," wrote Charles A. and William Beard, "were to abandon all interference with private enterprise that can be attributed to the insistence of businessmen and is actively supported by them, its operations would shrink to small proportions."<sup>1</sup>

In the writings of the American Fathers, Daniel Webster found it "everywhere held up as the main reason for the adoption of the Constitution that it would give the general government the power to regulate commerce and trade."<sup>2</sup> Alexander Hamilton, who more than any other man determined the early fiscal and financial policy of this country, vigorously supported a governmental policy of fostering, encouraging and protecting commercial and industrial enterprises. In his famous Report on Manufactures, he outlined eleven methods by which government might extend its aid to manufacturers.<sup>3</sup>

#### *1. Land Grants*

One of the most insistent demands of individualists was that the government should place in their private hands the maximum quantity of public land without cost, or at the lowest figure, and should not only vest them with permanent title, but should forever protect their monopolistic use of such land. Appetites were whetted by reason of the fact that for a century the government possessed a vast

public domain with extraordinary fertility of soil and wealth of mineral resources. In the early days the proposal was made that there be no alienation of public lands, but that lands be rented in quantities and at rates that would best serve the public good. This proposal was quickly rejected, with the result that an incredibly vast territory passed into private hands, to the delight and enrichment of numberless unscrupulous speculators.

The original public domain which, with subsequent accessions, aggregated 2,186,862 square miles, or 1,309,591,680 acres, has now been reduced by six-sevenths to approximately 300,000 square miles, most of which consists of arid soil, mountain land or forests.<sup>4</sup> Just prior to 1800 the Ohio Company and the Symmes' interests secured a million and a half acres at a dollar per acre. During the first two decades of the nineteenth century nearly 20 million acres were sold at two dollars per acre with credit for five years, thus enabling speculators to reap immense profits. In the year 1836 alone, not less than eight million acres of land fell into the hands of speculators, as compared with five millions for actual use by settlers.<sup>5</sup> A legislative committee of the Texas Congress in 1840 declared that "whereas we have the evidence of the Constitution itself of the existence of spurious claims to the amount of eleven hundred leagues of land (nearly 5,000,000 acres), and there is good reason to believe that a vast amount of fraud over and above that specified in the Constitution has been perpetuated," etc.<sup>6</sup> Mr. Gustavus Myers has estimated that more than 22 million acres of Texas land were "permanently alienated by means of these fraudulent claims."<sup>7</sup> In certain instances land that was bought by speculators for three dollars an acre was sold within twelve months for twenty-five dollars per acre. In 1919 the State Treasurer of Wisconsin declared: "If the State of Wisconsin had not practically given away its valuable school lands years ago, we would not have to raise any school taxes for generations to come. In years gone by the State sold hundreds of thousands of acres of fine timber lands for a mere song."<sup>8</sup>

Professor Ripley has estimated that *the total land grants by state and Federal governments in aid of railroads is 155 million acres, or about 242 thousand square miles, a territory larger than Germany or France, and nearly four times as large as all New England.*<sup>9</sup> In 1931 the Department of the Interior reported that "up to date seventy-two recipients of grants have received from the United States 132,000,000 acres of land, which is equivalent to about 200,000 square miles.

. . . Altogether there were eighty-nine such grants but seventeen of them were forfeited because of failure to construct the railroads contemplated.<sup>10</sup> Professor Ripley tells us that seven Western states gave away from a fifth to a quarter of their birthrights, while Texas "discovered in 1882 that in her youthful ardor she had given away some 8,000,000 acres more than she possessed."<sup>11</sup>

The Northern Pacific alone was granted 47 million acres. A biographer of the famous manipulator Jay Cooke records the fact that the Northern Pacific was given "the right to take odd numbered sections in a belt ten and twenty miles wide on each side of the track beyond the original limits of the grant to compensate the company for loss of tracts opened to settlement since 1864 and now gone beyond the government's control—*interpreted to mean a widening of the belt to 120 miles through the territories.*"<sup>12</sup> This same authority estimates that this railway received 12,800 acres for each mile of track to be constructed, and concludes that "sold at only \$5 an acre the yield . . . would be much greater than the cost of constructing the line. It meant an income of about \$140,000 per mile in the territories and a railroad should nowhere cost more than \$40,000 or \$50,000, the prairies being covered at a considerably less rate."<sup>13</sup> Such prodigality rapidly depleted the supply of governmental land, although in 1827 the Secretary of the Treasury had reported that "it would take five hundred years to settle the public domain."<sup>14</sup>

## 2. Subsidies

Not satisfied with colossal gifts of land, railway builders begged for cash subsidies and other special favors, and frequently were not denied their fervent requests. Governmental aid was sometimes given in the form of tariff rebates on railway materials imported from abroad, free use of timber and stone for construction purposes, tax exemptions, and credits running beyond 60 million dollars.<sup>15</sup> The Union Pacific and the Central Pacific were granted cash loans by the Federal Government to the extent of 16 thousand to 48 thousand dollars per mile of track constructed.<sup>16</sup> Indiana went so far as to permit railroad corporations to issue paper money to pay for labor or material.

Furthermore, outright gifts and credits by Federal, state and municipal governments to various railroads reached the stupendous total of 700 million dollars.<sup>17</sup> According to Professor Ripley of Harvard,



national, state, and local grants of various kinds were equivalent to 40 percent of the legitimate construction costs of the 47,000 miles of railway laid by 1870.<sup>18</sup> And if profits from the sale of government-donated land are added, *various governmental grants covered practically the entire cost of constructing all railways in the United States down to that date.*<sup>19</sup> Professor Beard quotes the opinion of a high railway official that the value of the federal lands turned over by Congress to the Northern Pacific Company was sufficient "to build the entire railroad to Puget Sound, fit out a fleet of sailing vessels and steamers for the China and India trade, and leave a surplus that would roll up into the millions."<sup>20</sup> The Erie was built "largely by public money, the New York State Legislature and local governments contributing generously to the construction costs."<sup>21</sup> Professor Kirkland tells us that "within twenty-five years of its grant . . . the Illinois Central netted over \$25,500,000 from the sale of land—the cost of original construction was only \$1,000,000 greater."<sup>22</sup> Yet James J. Hill, the railway magnate, actually says that while the railways of the United States have created the most effective, useful and by far the cheapest system of land transportation in the world, "this has been accomplished with very little legislative aid."<sup>23</sup> And in a volume published under the sponsorship of the Commerce and Marine Commission of the American Bankers Association, the author contends that the sale of the land grants "helped in a small way to offset the economic loss entailed by construction through an unsettled country." This same writer maintains that the lower railway rates received by the government on its own shipments of mail and troops more than offset the value of the land grants.<sup>24</sup>

The doctrine of laissez-faire has been repudiated not alone in the field of railways but also in the sphere of waterways. Professor Harold G. Moulton has produced evidence to show that *more than two and a quarter billion dollars have been expended by the Federal and state governments on canals, river improvements and harbors.*<sup>25</sup> Professor Charles Beard and his son have pointed out that in 1929 at least 300 projects for the development of inland rivers and other waterways, having a total length of 30,000 miles, were either completed or under way.<sup>26</sup> Figures presented by Professor Moulton show that the completion within the next ten years of the program of waterway development now under way or projected will cost at least 800 million dollars.<sup>27</sup> If the pending treaty between Canada and the United States for the construction of the Great Lakes-St.

## CONTRASTS BETWEEN THEORY AND PRACTICE 17

Lawrence Deep Waterway is ratified and the project carried forward, it is estimated that the expense to this country will be about 272 million dollars, in addition to the 800 millions for other projects.<sup>28</sup>

American shipping concerns have always clamored for subsidies, monopolies, discriminatory rates and other special favors. The New York Legislature in 1787 passed an act granting to John Fitch "the sole and exclusive right of navigating craft, propelled by steam, in the waters of New York." Upon the assumption that Fitch was dead, this monopoly was in 1803 transferred to Robert R. Livingston and Robert Fulton for a period of 20 years.<sup>29</sup> Five years later another act was passed forbidding all persons from operating a steamboat or vessel without securing a special license from Livingston and Fulton.<sup>30</sup> The State of Louisiana granted to Livingston and Fulton a monopoly of navigation for steam vessels on the lower Mississippi, and not until a decision of the Supreme Court in 1824 were the waters of navigable rivers in the United States open to all the people.<sup>31</sup> During pioneer days the practice was common of granting to individuals monopolistic rights to operate ferries across streams and to build toll bridges.<sup>32</sup>

The construction of the Panama Canal by the Federal Government was undertaken primarily for the advancement of industry and commerce, and constitutes in fact a huge subsidy of 367 million dollars.<sup>33</sup> Although the Hay-Pauncefote treaty with Great Britain explicitly provided for equality of rates through the Panama Canal, political pressure exerted by vested interests was so powerful that nevertheless a bill was passed providing for lower rates to American ships, and only with great reluctance did Congress finally yield to President Wilson's plea for the observance of international obligations. Loyalty to the competitive principle has not been sufficiently strong to prevent Americans from demanding and securing the exclusion of foreigners from doing business on the inland waterways and the entire coastwise trade. In 1920 Congress widened the scope of the coastwise laws to include the Philippines and Virgin Islands, granting the President power to withhold the application of this provision so long as American ships are unable to offer adequate service.

Prior to the Civil War, Congress provided outright cash subsidies to American shipping interests in order to help them survive foreign competition operating under heavy grants from their respective governments. This policy of direct governmental aid was not revived

until the creation of the Shipping Board in 1916 on the eve of our entrance into the World War. At the conclusion of that conflict our Government, while refusing to make direct monetary grants, offered substantial assistance to American shipping concerns in other ways. The Shipping Board was authorized to sell or lease its vessels to American companies, and in practice this has meant that "Shipping Board sells vessels at extremely low figures." The Beards quote a San Francisco shipping man as saying: "We bought twenty ships from them at ten dollars a deadweight ton, while the British and Japanese purchased from their governments at about three times that price. So our interest charges have been only about one-third of theirs." <sup>84</sup> Moreover, the Merchant Marine Acts created a revolving loan fund amounting to 250 million dollars, to be advanced to American companies at rates varying from  $3\frac{1}{2}$  to  $5\frac{1}{4}$  percent. The actual loans under this act down to February, 1933, amounted to 147 million dollars. <sup>85</sup>

Further financial assistance was provided in the form of favorable mail contracts, running as high as 12 dollars per mile, irrespective of the quantity of mail carried, thus affording "the most lucrative mail subsidy in the world." Still further aid has been granted since 1928 by an act which permits any naval officer of the United States on the active list to volunteer for service on vessels operating under mail contracts, the agreement providing that half of the salaries of such officers shall be paid by the Government. <sup>86</sup>

The Sixth National Conference of the Merchant Marine, on January 5, 1933, thus pleaded for a continuation of Federal aid to American shipping: ". . . an American Merchant Marine can be had and operated only by some form of government aid which shall equalize the differentials between American and foreign costs. . . . There is no alternative. A reduction in such aid will destroy the American Merchant Marine and result in a loss of American commerce to the detriment of the country's welfare and prosperity." <sup>87</sup>

Precedents for these monopolies and subsidies abound in colonial history and during the early days of the Federal Government. Professor Commons and his associates have assembled the following illustrations of these practices: Massachusetts once granted a loan to encourage glass manufacture, and Pennsylvania advanced funds for the establishment of a "calico printing and bleaching" factory. Rhode Island likewise made a loan to a cloth factory, and Maine helped launch a steel plant. Virginia subsidized iron mines, Penn-

sylvania helped finance the manufacture of linen, Massachusetts offered a bounty to fishermen, and New Jersey did likewise to those who produced hemp and flax. At various times Massachusetts granted monopolies for the manufacture of iron, salt, and canvas duck. Maine once granted an exclusive privilege to operate a saw mill.<sup>38</sup>

The practice of various state governments of offering bounties has been summarized by Fred Wilbur Powell as follows: "The scope of state activity in this direction has been limited only to the extent that the imagination of legislators and of lobbyists has been limited. It includes such measures as patents of monopoly; grants in aid of individuals engaging to construct certain machinery, to perfect certain manufacturing processes, or to produce certain goods; grants of land or of lottery privileges for the construction of mills; exemption from militia service of operatives in mills, exemption from taxation, tax drawbacks, or grants of money, in aid of certain branches of industry; and also enabling acts authorizing local governmental bodies to extend similar favors."<sup>39</sup> At various times different state governments have subsidized the production of silk, jute, hemp, flax, ramie, binding twine, potato starch, beet sugar, sorghum sugar, canaigre, chicory, wool cards, cast iron and artesian wells.<sup>40</sup>

In 1899 eight sugar-beet companies in Michigan received a combined state bounty of \$301,106. During that period bounties on sugar-beet production were paid by eight other states.<sup>41</sup> A federal law of 1890 provided that for a period of fourteen years the Government of the United States would make a grant of two cents per pound on all sugar produced within the country. After being in effect for four years, this provision was repealed, in spite of the indignant lamentations of sugar growers who invoked the doctrine of the sanctity of contracts.<sup>42</sup> While the record indicates that direct subsidies have been granted less frequently in the United States than in many other nations, the reason is not to be found in the reluctance of our profit-seeking individualists to forsake the hallowed precincts of *laissez-faire*.

### 3. *Tariffs*

Protective tariffs, however, constitute the special privilege coveted most ardently by business interests. While manufacturers in general have resented and resisted legislative efforts to restrict their pursuit of private gain, they have as a class demanded Himalaya

tariffs. "The sky is the limit," has been a favorite slogan of tariff lobbyists, and absolute exclusion of certain foreign commodities has been the objective of certain groups that sought to enrich themselves by raising prices to the consumer according to the well known procedure of charging "all the traffic will bear."

It is obvious that the protective tariff bestows upon its beneficiaries the power to tax consumers. Protection has always been defended upon the ground that it constitutes a public blessing, but the fallacy underlying this argument has often been pointed out by economists. In 1926 nearly two hundred of the world's leading economists, bankers and business men signed a manifesto denouncing high tariffs and other forms of "restrictions upon European trade." In a document which was published throughout the earth the signatories said: "It is difficult to view without dismay the extent to which tariff barriers, special licences and prohibitions since the war have been allowed to interfere with international trade and to prevent it from flowing in its natural channels. At no period in recent history has freedom from such restrictions been more needed to enable traders to adapt themselves to new and difficult conditions. And at no period have impediments to trade been more perilously multiplied without a true appreciation of the economic consequences involved." <sup>44</sup>

At the time the Smoot-Hawley tariff bill was being negotiated in 1928, more than a thousand American economists, from 179 colleges and universities, signed a manifesto addressed to President Hoover, emphasizing the evils of high tariffs and urging the defeat of the proposed measure. "Just how accurate this statement was and has been," writes Professor Spahr, "must be understood by those witnessing succeeding events and the recession of 1929-1932. . . . When economic questions of grave import face the country, the responsible parties turn to the politicians rather than to the economic doctors for advice and guidance. The results are only too apparent, and the country is paying a terrific price, in the form of impaired health, for following the prescription of a political doctor when so much in need of the advice of the more scientific economist." <sup>45</sup>

In the face of an overwhelming consensus of opinion among economists, manufacturers through political pressure and propaganda have succeeded in obtaining tariff privileges which have enabled them to extract countless millions of extra profits from gullible consumers. Scarcely anyone is pleased with a high tariff bill in its entirety, but various groups accept it because of particular schedules

from which they expect to reap rich profits. The technique by which a high tariff bill is enacted has been vividly if inelegantly described: "You scratch my back, and I'll scratch yours." Even stronger language was used many years ago on the floor of Congress by Representative Cox of New York: "Let us be to each other instruments of reciprocal rapine. Michigan steals on copper; Maine on lumber; Pennsylvania on iron; North Carolina on peanuts; Massachusetts on cotton goods; Connecticut on hair pins; New Jersey on spool thread; Louisiana on sugar, and so on. . . . Let us as moralists, if not as politicians, rewrite the eighth commandment: Thou shalt steal; because stealing is right when common."<sup>46</sup> Thus certain manufacturers have grown rich through special protection; the employees of these industries have to some extent benefited; but consumers as a whole have been subjected to an extremely effective form of taxation. President Cleveland once declared bluntly: "Tariff for any other purpose than public revenue is public robbery."<sup>47</sup>

The extent of the toll extracted from the American public by tariff beneficiaries is stupendous beyond general recognition. The average percent of duties imposed upon dutiable goods did not fall below 40 percent during the period from 1865 to 1913, except during 1873 and 1874, while it rose above 50 percent in 1894 and 1899.<sup>48</sup> The ratio of dutiable goods to commodities admitted free is indicated by the fact that the duties collected in proportion to the total value of all goods imported remained above 20 percent from 1865 to 1911, while the figures climbed above 30 percent during 13 of these years, and exceeded 40 percent during five years.

A significant volume could be written on unique and excessive schedules in various American tariff acts. Professor Taussig cites the case of a duty of 30 cents per pound on nickel, or about 40 percent of the value, when at that time there existed in the United States only one nickel mine—and then points out the fact that "the owner of the nickel-mine has appeared frequently before Congressional Committees in advocacy of this duty and others."<sup>49</sup> In another case rates of approximately 150 percent were imposed upon a particular kind of marble which "is produced in the United States in a single district in Vermont. The owners of the marble quarries in this district had their product raised in price almost to the extent of the duty of 80 or 150 percent."<sup>50</sup> In the course of a tariff debate in the Senate on the question of imposing a duty on escalators, the following colloquy occurred:<sup>51</sup>

Mr. Wheeler: They are afraid somebody will start in and manufacture them over in Germany and ship them into this country.

Mr. Deneen: It is not a mere theory. They know it.

Mr. Wheeler: How do they know it?

Mr. Deneen: Europeans have been here making contracts.

Mr. Wheeler: There has not been one sold in this country. . . . I am asking the Senator if he knows of one they have sold here?

Mr. Deneen: I have stated that I do not know anything about it. I am accepting the information in the brief (filed by the Company asking for protection).

Miss Tarbell in her history of the tariff has assembled a huge mass of illustrations of absurd and unjust schedules. A tariff of 20 percent was once put on wood-screws, at a time when there was only one small factory in the entire country.<sup>52</sup> For years the tariff on undressed flax was \$20 per ton, although it was necessary for Miss Tarbell to say: "We have scarcely ever produced a ton fit for thread."<sup>53</sup> In a moment of exasperation, Representative Pike of Maine once exclaimed: "It is well understood that there are many very worthy manufacturers of coffee in this country; they make it of chicory, beans, peas, rye, wheat, dandelion root, and many other things. So there is reason for retaining a small duty on coffee in order to protect that worthy class of our manufacturers."<sup>54</sup>

The indignant outburst of Senator Dolliver of Iowa on the floor of the Senate many years ago would have been equally appropriate on countless other occasions in tariff history: "I do not propose that the remaining years of my life . . . shall be given up to a dull consent to the success of all these conspiracies, which do not hesitate before our very eyes to use the lawmaking power of the United States to multiply their own profits and to fill the market-places with witnesses of their avarice and of their greed."<sup>55</sup> Miss Tarbell concludes her exhaustive exposure with these words: "Dip into the story of the tariff at any point since the Civil War and you will find wholesale proofs of this bargaining in duties; rates fixed with no more relation to the doctrine of protection than they have to the law of procession of the equinoxes. The actual work of carrying out these bargains is of a nature that would revolt any legislator whose sensitiveness to the moral quality of his acts has not been blunted—who

has not entirely eliminated ethical considerations from the business of fixing duties." <sup>56</sup>

Professor Slichter of Harvard has made an interesting suggestion that, instead of imposing high tariffs for the benefit of special interests, the Government substitute the payment of bonuses to such concerns, and illustrates his point as follows: "The duty on olive oil is an example. The duty yields the government about \$7,000,000 a year. . . . The small district in California which produces olives supplies us with only  $1\frac{1}{4}$  percent of our olive oil. At one hundredth of the cost to the consumer, we could give the California industry the same benefit, in the form of a subsidy, and, at the same time, obtain our olive oil from Italy for much less. The duty on manganese is another example. In 1928, the duty yielded about \$6,000,000. This protection brought about the production of approximately 47,000 tons of domestic manganese worth about \$1,250,000. In other words, consumers of manganese were taxed in duties about \$129 for every ton of domestic ore produced—worth about \$25 a ton. An outlay of four dollars in taxes was necessary to bring about the production of one dollar's worth of domestic ore." <sup>57</sup>

#### 4. *Franchises*

Financiers have constantly sought monopolistic grants from governments in the form of franchises and other exclusive privileges. By means fair and foul they have endeavored to secure the sole right to operate street cars, elevated railways, subways, and to monopolize the sale of gas and electricity. Indeed, the sordid story of graft in American municipal politics is primarily a history of the struggle for control of public utilities by private interests bent upon their own enrichment. After monopolistic or semi-monopolistic franchises have been secured, the privileged holders have charged all that the traffic would bear, and have gouged the public to such a scandalous extent that drastic regulations have been inaugurated, although these vested interests have thus far had sufficient political influence to defeat adequate public restraint.

Let the record be summarized by a conservative interpreter, Burton J. Hendrick, who later became biographer of Walter Hines Page. In his volume, *The Age of Big Business*, Mr. Hendrick writes: "A single group of six men—Yerkes, Widener, Elkins, Dolan, Whitney and Ryan—combined the street railways and in many cases the lighting companies, of New York, Philadelphia, Chi-



cago, Pittsburgh, and at least a hundred towns and cities in Pennsylvania, Connecticut, Rhode Island, Massachusetts, Ohio, Indiana, New Hampshire and Maine. . . . It is impossible to write even a brief outline of this development without plunging deeply into the two phases of American life of which we have most cause to be ashamed; these are American municipal politics and the speculative aspects of Wall Street. The predominating influences in American city life have been the great franchise corporations. . . . In the minds of these men politics was necessarily as much a part of their business as trolley poles and steel rails. . . . An attempt to relate the history of all these syndicates would involve endless repetition. If we have the history of one we have the history of practically all. . . . Perhaps not all have repeated the worst excesses of the syndicate that so remorselessly exploited New York, Chicago and Philadelphia. Yet in most cases these elaborate undertakings have been largely speculative in character. Huge issues of fictitious stock, created purely for the benefit of inner rings, have been almost the prevailing rule. Stock speculation and municipal corruption have constantly gone hand in hand everywhere with the development of the public utilities.”<sup>58</sup>

After many years of malodorous transactions, the New York syndicate adopted a policy of caution. “All the ledgers, journals, checks, and vouchers containing the financial history of the Metropolitan since its organization in 1893 had been sold for \$117 to a junkman, who had agreed in writing to grind them into pulp so that they would be safe from ‘prying eyes.’”<sup>59</sup> Yet we do know that on one occasion in return for properties with an actual construction cost of three million dollars, the syndicate received securities which had a market cash value of 25 millions.<sup>60</sup> In a deal with their own partners, Widener and Elkins received a fee of five million dollars as personal compensation for negotiating a lease of the West Division Railway Company of Chicago. Yet Mr. Hendrick is compelled to write: “But this whole leasing system, both in New York and Chicago, entailed scandals perhaps even more reprehensible.”<sup>61</sup>

Municipal government in the United States was described by James Bryce as “the one conspicuous failure,” while Andrew D. White declared that “with very few exceptions, the city governments of the United States are the worst in Christendom—the most expensive, the most inefficient, and the most corrupt.”<sup>62</sup> A former mayor of Detroit has asserted that “good municipal government is an im-

possibility while valuable franchises are to be had and can be obtained by corrupt use of money in bribing public servants." <sup>63</sup> Professor Schlesinger says: "The full story of the graft and dishonor involved in the traffic of franchises will never be known. From indirect evidence as well as from occasional court testimony it seems clear that there was a cesspool under nearly every city hall, dug secretly by politicians in the pay of respectable, or at least respected, business men." <sup>64</sup>

### 5. *Injunctions.*

Employers as a class have repudiated the theory that the government should remain aloof from industrial struggles. Naturally enough industrialists have expected protection against acts of violence and other illegal practices on the part of workers, and have been afforded adequate safeguards in the penal code. But manufacturers and mine operators have demanded much more than protection from criminal acts, they have sought governmental aid in strengthening their own position and in weakening the effectiveness of trade unions.

One extremely effective device frequently demanded is the labor injunction. Appeals for restraining orders are based upon the claim that serious damage is about to be committed and cannot be prevented without an injunction. In addition to forbidding workers from resorting to force, threats, coercion and intimidation, courts have also gone to the extreme of forbidding employees to go on strike, or to persuade others to cease work, or to hold union meetings, or to attempt union organization, or to use their funds to aid members fight eviction from company houses. Only two labor injunctions have ever been granted in England, and not until 1883 was the first one issued in the United States. <sup>65</sup> Since the gradual identification of "business" with property, however, injunctions have become frequent.

The menace of the injunction is so great that one authority refers to it as "the deadliest weapon which organized labor has to face at the present time." <sup>66</sup> Mr. Edwin E. Witte, of the Wisconsin Legislative Reference Library, summarizes the objections to injunctions as follows: they are issued without affording the defendants a fair opportunity to present their side of the case; they are often issued upon insufficient proof; there are no adequate provisions for prompt appeals; they deny persons accused of crime a fair trial; they preju-

dice public opinion and tend to undermine the morale of the workers; they frequently prove to be an important factor in the loss of a strike by the employees.<sup>67</sup>

The restraining power of the court is utilized if in the opinion of the judge the situation is one that involves "intimidation" or "threats." The social philosophy of the occupant of the bench in turn is likely to determine his opinion in such cases. "The last two decades have made it abundantly clear," observes Judge Mack, "that the just decision of causes requires a careful weighing of social and economic considerations not to be found in the strict body of the law itself."<sup>68</sup> While Justice Holmes declares: "The decision will depend on a judgment or intuition more subtle than any articulate major premise."<sup>69</sup> An extreme example is cited by Mr. Witte where a judge of Indiana County, Pennsylvania, granted an injunction forbidding workers to assemble on church property near the complainants' mine for the purpose of singing "Onward, Christian Soldiers" and similar hymns which the court considered intimidating.<sup>70</sup> Flagrant partisanship is sometimes exhibited on the bench, as may be seen from the following utterance by Justice Van Sicken, of the New York Supreme Court: "They (the courts) must stand at all times as the representatives of capital, of captains of industry, devoted to the principle of individual initiative, protect property and persons from violence and destruction, strongly opposed to all schemes of nationalization of industry, and yet save labor from oppression, and conciliatory toward the removal of the workers' just grievances."<sup>71</sup>

For several decades past employers have, on the slightest pretext, begged for the active support of the state in industrial disputes, and the injunction has proved to be a weapon of incalculable value to them.\* So much so that organized labor has for decades exerted itself to the utmost to secure a relief from this disability, and not until the passage of the Norris-LaGuardia bill and its signing by President Hoover on March 20, 1932, was the liberty of the courts to issue injunctions seriously restricted. It remains to be seen whether this act will be invalidated by the Supreme Court, as many previous anti-injunction laws have been overturned.

#### *6. Diplomatic Aid and Armed Intervention*

Business interests not only desire and secure active support from the government in industrial disputes, they are equally insistent that

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\* See pages 40ff.; and 114ff.

the government come to their aid in commercial competition with citizens of other lands. The idea that the government should keep its hands off business is utterly repugnant to importers and exporters. To begin with, they expect the government to keep them accurately informed concerning conditions prevailing in foreign countries. The consular officers "are in effect agents for the promotion of American business enterprise." In addition, Congress in 1927 created a worldwide organization of special agents for the sole purpose of advancing American trade. President McKinley once referred to "the commercial opportunity to which American statesmanship cannot be indifferent. It is just to use every legitimate means for the enlargement of American trade." By their deeds subsequent administrations at Washington have endorsed and extended this policy.

Threats, exhibitions of military and naval force, and actual armed intervention have been resorted to by the government in its efforts to protect and advance American commercial interests. One aspect of governmental interference with business is indicated in a report issued by the United States Bureau of Naval Intelligence: "We have extensive interests in the Near East, especially in tobacco and petroleum. . . . The possible development of the economic resources of this part of the world were very carefully investigated by representatives of American commercial interests. These representatives were given every assistance by the Navy, transportation furnished them to various places, and all information of commercial activities obtained by the naval officers in their frequent trips around the Black Sea given them. . . . One destroyer is kept continually at Samsun, Turkey, to look after the American tobacco interests at that port. . . . The American tobacco companies represented there depend practically entirely on the moral effect of having a man-of-war in port to have their tobacco released for shipment." <sup>72</sup>

The United States Government has intervened with armed force in the affairs of other countries on the average of once a year for three decades. "It has always been and remains the policy of the United States in such circumstances," declared President Coolidge, "to take the steps that may be necessary for the preservation and protection of the lives, *the property, and the interests* of its citizens and of this government itself." <sup>73</sup> Secretary of the Navy Wilbur once said: "Our trade routes as well as our international trade are essential parts of our national life. We are committed to the protection of this traffic upon the high seas." <sup>74</sup> Included in a statement

of naval policy released by the General Board of the United States Navy is this objective: "To make every effort, both at home and abroad, to assist the development of American interests." <sup>75</sup>

After an extensive survey of the evidence, Charles and William Beard made the following summary: "In forwarding the interests of American foreign commerce, many branches of the Federal Government are employed . . . An ever increasing share of the diplomatic work carried on by the State Department pertains to trade, investments and concessions. The Department of Agriculture, through special agents, looks after the sale of farm produce overseas. The Navy, a mobile force always at the command of the President, is both an advance agent and a police officer for foreign business. Hence, when the various federal functions and establishments coming under this head are viewed collectively, it becomes evident that the promotion and protection of American business enterprise abroad constitutes a primary concern of the Federal Government. Nothing, it seems, that ingenuity can devise is neglected." <sup>76</sup>

### *7. After the Financial Crash of 1929*

If final and irrefutable proof is desired that the theory of governmental non-interference with business has been abandoned in fact, the evidence is furnished by the official program of the Hoover administration, long before the coming of the New Deal. During the years of that regime, the doctrine of laissez-faire was shattered into atoms by the Reconstruction Finance Corporation, the Federal Farm Board, the Federal Home Loan Bank Board, and countless other governmental agencies. True enough, Mr. Hoover continued to speak of "the sanctity of the principles upon which this Republic has grown great . . . It is only by this release of initiative, this insistence upon individual responsibility . . ." and similar sentiments. But his words were scarcely audible above the roar of his own actions as chief executive of an ever-enlarging collectivist enterprise.

"The President is certainly to be commended," ran an editorial in the *Financial Chronicle*, "for the zeal and energy he displays in countless ways to bring about a restoration of normal conditions in the business world." <sup>77</sup> In his acceptance address, Mr. Hoover presented an impressive summary of major governmental interferences with the normal course of business resorted to during his adminis-

tration, and interpolated illuminating comments: "Two courses were open to us. We might have done nothing [that is, might have adhered to the policy of *laissez-faire*]. That would have been utter ruin. Instead, we met the situation with proposals to private business and the Congress of the most gigantic program of economic defense and counter-attack ever evolved in the history of the Republic . . . The function of the Federal Government in these times is to use its reserve powers and its strength for the protection of citizens and local governments by support of our institutions against forces beyond their control." In the course of a long summary of the government's record, *The Business Week* said: "The essential objective of the program has been to stimulate and support private enterprise by maintaining or creating conditions necessary to encourage it." <sup>78</sup>

President Hoover was extremely reluctant to support Federal appropriations for relief of the unemployed because that would be contrary to "the American plan." But vast sums from the public treasury were loaned to banks, railways, public utilities and other corporations, on the theory that prosperity at the top will trickle down to the masses. In the face of Mr. Hoover's vigorous opposition, Congress finally provided the utterly inadequate sum of 300 million dollars for direct relief. It appears that governmental aid to producers and bankers is consistent with individualism, whereas direct governmental aid to consumers and workers "is tyranny. It is the regimentation of men under autocratic bureaucracy with all its extinction of liberty, of hope and of opportunity."

But it remained for the New Deal to reveal the extent to which business men were clamorous for governmental aid. So desperate was the economic condition at the moment of President Roosevelt's inauguration that financiers and industrialists raised their voices in a mighty chorus of appeal for help. In the debate on the National Industrial Recovery Act, Senator Reed of Pennsylvania said: "This is a bill to protect the small business man, but it is the big business man who has been urging me to support it. . . . I have been approached by such concerns as big steel manufacturing companies, saying that they have thought it over, and, in spite of all the theoretical disadvantages which I have been urging, they think it is going to be a good thing for the industry." <sup>79</sup> In the same debate Senator Fess of Ohio declared: "I have been urged, both by labor and by business—especially big business—to support this measure."

At the moment of writing, business men all across the country are urging their fellow-citizens to be patriotic and support the President as he exerts governmental control over industry and commerce to a degree that would have been utterly unimaginable in "the good old days." Various aspects of the NRA program will be discussed in later sections, and it is necessary here only to summarize the record of inconsistency.\*

From the earliest days Americans have besieged the seats of Government for land grants, subsidies, tariffs, franchises, injunctions, diplomatic aid, armed intervention, and finally for life-preservers to keep them afloat amid the wreckage of capitalism. "Less government in business" has proved to be a dynamic slogan, but as a practical working policy it has never been accepted. The *theory* of individualism long ago succumbed from violent blows at the hands of profit-seeking Americans. Without further delay it should be embalmed and exhibited as a monument to the blindness and gullibility of mankind.

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\* See pages 133, 158, 191ff., 258ff., 282.

## Chapter III

### THE RECORD OF OPPOSITION TO SUCCESSIVE EXTENSIONS OF SOCIALIZATION

CONSISTENCY may be a jewel, but it is not so regarded by business men who are constantly seeking special privileges from the government, while objecting vociferously to social legislation in behalf of the plain people. Themselves dominated by insatiable appetites for land grants, subsidies, bonuses, tariffs, franchises, monopolies, special services, injunctions, diplomatic aid and armed intervention, industrialists and financiers have fought furiously against socializing measures designed for the protection and welfare of the masses. By their actions merchants, manufacturers and bankers have proclaimed their conviction that that government is best which bestows upon them the richest favors and which at the same time interferes least with their efforts to acquire maximum wealth and power.

#### *1. Democracy*

The owning class long sought to perpetuate its reign by depriving the workers of the right to vote and to hold office. The early American Fathers utterly rejected democracy. Professor Parrington has pointed out that at one time among the two thousand members of Massachusetts Bay Colony, only a dozen freemen of the corporation exercised the right of franchise, this handful electing and constituting the officials of the community.<sup>1</sup> "Democracy," wrote John Cotton, "I do not conceyve that ever God did ordeyne as a fit government either for church or commonwealth. . . . As for monarchy, and aristocracy, they are both of them clearly approoved, and directed in scripture . . . " <sup>2</sup> In like manner spoke John Winthrop: ". . . for a Democratie is, among most Civill nations accounted the meanest & worst of all formes of Governm't: & therefore in writers, it is branded w'th Reproachfull Epithets as . . . a monster." <sup>3</sup>



"In the elections for the colonial legislatures," writes Albert Edward McKinley, "there were restrictions imposed upon voters in respect to sex, age, race and nationality, religion, good character, residence, property, freemanship in corporations, and certain qualifications akin to the borough franchise in England . . . The potential voters seem to vary from one-sixth to one-fiftieth of the population . . . " <sup>4</sup>

Universal white manhood suffrage was granted with extreme reluctance and only after a prolonged delay. Three years after the Constitutional Convention assembled only 1,303 male residents of voting age in New York out of 13,330 were permitted to vote, that is, one out of ten.<sup>5</sup> As late as 1821, nine of the 24 states retained property qualifications for voting.<sup>6</sup> In 1830 such eminent citizens of Virginia as John Marshall, James Madison and John Randolph supported a measure which excluded 50 thousand white men from the franchise.<sup>7</sup> Indeed, until 1850 landowners alone voted in Virginia, and another six years passed before North Carolina let down the bars.<sup>8</sup>

In conservative circles the protection of property was considered more important than safeguarding the rights of ordinary people. Consequently, the retention of political power in the hands of a small oligarchy was considered imperative. "Those who own the country ought to govern it," declared John Jay.<sup>9</sup> Long before Locke had advanced the idea that "the great and chief end, therefore, of men uniting into commonwealths and putting themselves under government, is the preservation of their property."<sup>10</sup> While Burke said bluntly: "The body of the people . . . must respect that property of which they cannot partake. They must labour to obtain what by labour can be obtained; and when they find, as they commonly do, the success disproportioned to the endeavor, they must be taught their consolation in the final proportions of eternal justice."<sup>11</sup> In his memorable speech on the Reform Bill, Macaulay referred to property as "that great institution for the sake of which chiefly all other institutions exist, that great institution to which we owe all knowledge, all commerce, all industry, all civilization, all that makes us to differ from the tattooed savages of the Pacific Ocean."<sup>12</sup>

Chancellor Kent, the New York jurist, warned: "Universal suffrage jeopardizes property and puts it into the power of the poor and the profligate to control the affluent."<sup>13</sup> Patriotic John Adams roared: "The moment the idea is admitted into society, that property

is not as sacred as the laws of God, and that there is not a force of law and public justice to protect it, anarchy and tyranny commence." <sup>14</sup> The eloquent Daniel Webster said: "If the nature of our institutions be to found government on property, and that it should look to those who hold property for its protection, it is entirely just that property should have its due weight and consideration in political arrangements." <sup>15</sup> While many years later Andrew Carnegie exclaimed: "Upon the sacredness of property civilization itself depends." <sup>16</sup> And the Honorable Joseph H. Choate maintained that "the preservation of the rights of private property was the very keystone of the arch upon which all civilized government rests." <sup>17</sup>

The disfranchisement of the workers has been accompanied and justified by contemptuous estimates of the masses. "The people!—the people is a great beast!" blurted out Alexander Hamilton. <sup>18</sup> And on another occasion the Greatest-Secretary-of-the-Treasury exclaimed: "It is long since I have learned to hold popular opinion of no value." <sup>19</sup> "Poor porpoises," sneered Noah Webster, "poor reptiles!" jeered Gouverneur Morris, while Martha Washington spoke of "filthy democrats." <sup>20</sup> Ordinary people were denounced by John Ward Fenno as "the stupid populace, too abject in ignorance to think rightly, and too depraved to draw honest deductions." <sup>21</sup> The mighty John C. Calhoun warned that "it is a great and dangerous error to suppose that all people are equally entitled to liberty. It is . . . not a boon to be bestowed on a people too ignorant, degraded and vicious, to be capable either of appreciating or of enjoying it." <sup>22</sup> While Governor McDuffie believed that "the laboring population of no nation on earth are entitled to liberty, or capable of enjoying it." <sup>23</sup> John Dickinson referred to "the licentiousness of the people, and the turbulent temper of some of these states, as the only causes to be dreaded, not the conspiracies of federal officers." <sup>24</sup> Roger Sherman declared that the people directly "should have as little to do as may be about the government." <sup>25</sup> And in this utterance he was merely echoing an earlier confession of Bishop Horsley that he "did not know what the mass of the people in any country had to do with the laws but to obey them." <sup>26</sup>

Professor and Mrs. Beard tell us that the word democrat once "grated as harshly on urbane ears as its constant companion, 'anarchist.'" And in referring to the followers of Thomas Jefferson, these historians say: "Some of them now ventured to call themselves Democrats—a term as malodorous in the polite circles of Washing-

ton's day as Bolsheviks in the age of President Harding." <sup>27</sup> So alarmed was Alexander Hamilton over the news that Jefferson had triumphed at the polls that he joined fellow Federalists in a secret appeal to Governor Jay to call an extra session of the Legislature to deprive that body of the power to choose presidential electors. In a letter to Jay, Hamilton wrote: "In times like these, it will not do to be over-scrupulous . . . (there should be no objection to) taking of legal and constitutional steps to prevent an atheist in religion and a fanatic in politics from getting possession of the helm of the state." <sup>28</sup> Claude Bowers informs us that "the most sensational feature of the campaign was the emergence as an avowed party man of Washington, whose aristocratic viewpoint made democracy offensive. He went the full length, finding nothing objectionable in the Alien and Sedition Laws . . . Democrats, from the highest to the most lowly, were to be proscribed and treated with contempt. The New England clergy, for the most part, entered heartily into the plan. The colleges joined . . . Very early, gangs of self-proclaimed patriots sallied forth into the country to tear down the liberty poles erected by the Democrats, armed with pistols and swords, and clattering over the country roads like Cossacks on a rampage." <sup>29</sup>

As late as the fourth decade of the nineteenth century, the active participation of workers in politics produced great alarm. A member of the New York Assembly described them as "factionists, more dangerous than any . . . in the days of the French revolution." <sup>30</sup> Among the epithets bestowed upon these workers were: "Dirty Shirt Party," "ring-streaked and speckled rabble," "Workies," "Mob," "Rabble." In referring to the political leaders of the workingmen, the *Commercial Advertiser* declared that they were seeking "to disturb the peace of the community for a time; go to prison and have the mark of Cain impressed upon them; betake themselves to incest, robbery, and murder, die like ravenous wild beasts, hunted down without pity; and go to render their account before God, whose existence they believed in their miserable hearts, even while they were blaspheming him in their ignorant, snivelling, and puerile speculations. Such is too true a picture in all its parts of some of the leaders of the new political party, which is emerging from the slime of this community, and which is more beastly and terrible than the Egyptian Typhon." <sup>31</sup>

The Declaration of Independence solemnly declared that "all men are created equal," but in practice this sentiment was interpreted to

mean "all white men who own property are created equal." The word *men* must be underscored, because the possibility simply did not dawn upon the Fathers that their mothers, wives, daughters and sisters should be accorded equal political rights. More than a century was to elapse before the Nineteenth Amendment to the Constitution became the law of the land and bestowed upon women the full franchise. Forty years after the Federal Constitution was written, we find the Massachusetts Association of Congregational Ministers declaring that the suffrage campaign threatened "the female character with widespread and permanent injury . . . If the vine . . . thinks to assume the independent and overshadowing nature of the elm, it will not only cease to bear fruit, but fall in shame and dishonor into the dust." <sup>32</sup> In 1867 a member of the New York Constitutional Convention exclaimed: "The right of self-government upon which our whole superstructure is based is in the man. It has been written by the finger of God himself upon the mental constitution of every human being and in such unmistakable characters that it is impossible for us to misunderstand, misinterpret, or mistranslate them." <sup>33</sup>

In the *Syracuse Daily Star* is to be found this gem: "The poor creatures who take part in the silly rant of 'brawling women' and Aunt Nancy men, are most of them 'ismizers' of the rankest stamp, Abolitionists of the most frantic and contemptible kind. . . . These men are all Woman's Righters, and preachers of such damnable doctrines and accursed heresies, as would make demons of the pit shudder to hear." <sup>34</sup> The editor of a Seattle paper in 1871 paid his respects to Susan B. Anthony, saintly suffragist, in this language: "She is a revolutionist, aiming at nothing less than the breaking up of the very foundations of society, and the overthrow of every social institution organized for the protection of the sanctity of the altar, the family circle and the legitimacy of our offspring, recognizing no religion but self-worship, no God but human reason, no motive to action but lust. . . . The whole plan is coarse, sensual and agrarian, the worst phase of French infidelity and communism."

## 2. Abolition of Slavery

Among the men who were willing to risk their lives in defense of the theory that all men are born equal were numerous owners of chattel slaves. At the outbreak of the Revolutionary War approxi-

mately half a million Negroes were being held in bondage, the number of slaves equaling the number of whites in five of the colonies.<sup>35</sup> Many of the delegates to the Constitutional Convention were slave holders, George Washington himself continuing to own human beings as chattels until he died in 1799. While the Father of his country was unwilling to free his slaves during his own lifetime, he provided in his will for their emancipation.<sup>36</sup> The most radical measure that the opponents of slavery could secure was a provision providing for the cessation of the slave *trade* at the end of twenty years. In the state constitution of Kentucky were embedded these words: "The right of property is before and higher than any constitutional sanction, and the right of the owner of a slave to such slave and its increase is the same and as inviolable as the right of the owner of any property whatsoever."<sup>37</sup>

With the invention and improvement of the cotton gin, and the resultant rise in value of a slave to a thousand dollars, opposition to abolition became increasingly bitter. The slave system was upheld on economic, political, moral and religious grounds, and among its defenders were many of the most brilliant and pious men of the nation. "Slavery has done more to elevate a degraded race in the scale of humanity;" thundered the great Chancellor William Harper, "to tame the savage; to civilize the barbarous; to soften the ferocious; to enlighten the ignorant, and to spread the blessings of Christianity among the heathen, than all the missionaries that philanthropy and religion have ever sent forth."<sup>38</sup> With clarity and vigor William Gilmore Simms put himself on record. "We beg once for all to say to our northern readers, writers, and publishers, that in the South we hold slavery to be an especially and wisely devised institution of heaven; devised for the benefit, the improvement, and safety, morally, socially, and physically, of a barbarous and inferior race."<sup>39</sup> "To maintain that Slavery is in itself sinful," wrote the brilliant Alexander H. Stephens, "in the face of all that is said and written in the Bible upon the subject, with so many sanctions of the relation by the Deity himself, does seem to me to be little short of blasphemy."<sup>40</sup>

Not only was property in human flesh defended, ruthless measures were adopted in an endeavor to suppress all who opposed it. The ancient technique of vilification was perfected into a fine art. The Reverend J. H. Thornwell, widely known as the "Calhoun of the Church," set the pace: "The parties in this conflict are not

merely abolitionists and slaveholders—they are atheists, socialists, communists, red republicans, jacobins, on the one side, and the friends of order and regulated freedom on the other. In one word, the world is the battle ground—Christianity and Atheism the combatants; and the progress of humanity the stake.”<sup>41</sup> The Honorable James Wilson, American Minister to Turkey, likewise grouped in one category “The advocates of ‘free love,’ the ‘Socialists,’ the Infidels, the ‘Red Republicans,’ and Abolitionists.” Freedom of speech on slavery was relentlessly suppressed throughout the South and mob violence silenced intrepid abolitionists.

Even the noble Lincoln was willing to perpetuate slavery in order to preserve the Union. He wrote to Stephens of Georgia that the Republican Party would not “directly or indirectly interfere with their slaves or with them about their slaves”; that “the South would be in no more danger in this respect than it was in the days of Washington.”<sup>42</sup> On another occasion, Lincoln said: “We must not interfere with the institution of slavery in the states where it exists, because the Constitution forbids it and the general welfare does not require us to do so.”<sup>43</sup> The Great Emancipator went further and helped carry through Congress an earlier and radically different form of the Thirteenth Amendment to the Constitution, providing that for all future time the Federal Government should be denied the power to abolish or interfere with slavery in any state, and this amendment had actually been ratified by three states when the Civil War broke out.<sup>44</sup> So late as 1859 Emerson declared: “No man living will see the end of slavery.”<sup>45</sup>

### *3. Public Education*

Desirous of perpetuating control by property, and holding a low estimate of the masses, members of the owning class, with certain conspicuous exceptions, long opposed universal education and threw the tremendous weight of their influence against free public schools. At the end of the seventeenth century, Governor Berkeley of Virginia said bluntly: “I thank God we have no free schools nor printing; and I hope we shall not have these hundred years. For learning has brought disobedience and heresy and sects into the world; and printing has divulged them and libels against the government. God keep us from both.”<sup>46</sup> Libels against the government of aristocrats!

A frequently reprinted volume in England during the eighteenth century expressed the widely prevalent attitude toward education of

the masses. "To make the society happy, and people easy under the meanest circumstances," wrote Bernard de Mandeville, "it is requisite that great numbers of them should be ignorant, as well as poor. Knowledge both enlarges and multiplies our desires, and the fewer things a man wishes for, the more easily his necessities may be supplied. The welfare and felicity, therefore, of every state and kingdom, require that the knowledge of the working poor should be confined within the verge of their occupations, and never extended (as to visible things) beyond what relates to their calling. . . . Abundance of hard and dirty labor is to be done, and a coarse living to be complied with: where shall we find a better nursery for these necessities than the children of the poor? . . . by bringing them up in ignorance, you may inure them to real hardships, without being ever sensible themselves that they are such." <sup>47</sup>

Fifty years after the Declaration of Independence was promulgated, with the exception of certain portions of New England, free public schools "were the distant hope of statesmen and reformers." A terrific and prolonged struggle was required before the principle of universal free education was accepted. Not until 1880 did England establish a complete system of compulsory public schools.<sup>48</sup> As late as 1840 only one-half of the children of New England were given free education, one-seventh of those of the Middle States, and one-sixth of those of the West.<sup>49</sup> By 1860 the public school system had been fully established in the Northern States of America, but compulsory attendance was not required in Georgia until 1916 and not in Mississippi until 1918.<sup>50</sup> The average American citizen of 1840 spent only 208 days in school in his whole lifetime, as contrasted with the 1200 days of the present generation. The total value of school property in the United States rose from 130 million dollars in 1870, to 4,676 millions in 1926.<sup>51</sup>

Dean Cubberley of Stanford has outlined six stages in the struggle: tax support, elimination of the pauper-school idea, the establishment of supervision, the elimination of sectarianism, the establishment of the High School, and of the State university. At various times schools were supported by the proceeds from lotteries, liquor licenses, and theater licenses. Between 1812 and 1836 Congress passed fourteen joint resolutions authorizing lotteries to help support the schools of the city of Washington. "Many thought that tax-supported schools would be dangerous for the State, harmful to individual good, and thoroughly undemocratic." <sup>52</sup>

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"Civil government," wrote one editor, "is no fit agency for the training of families or of souls. . . . Throw the people on their own resources in education, as you did in industry; and be assured, that, in a nation so full of intelligence and spirit, Freedom and Competition will give the same stimulus to improvement in schools, as they have done in our manufactures, our husbandry, our shipping and commerce." <sup>53</sup> School assessments upon parents in ratio to the number of their children was long advocated by bachelors and other persons who objected to carrying the burden of educating other men's children. "A weekly payment from the parents of scholars is that form of taxation," wrote one such advocate, "the justice of which is the most apparent, to the humbler classes. . . . Let no one rudely interfere with the bonds of filial reverence and affection. Nor can the paternal charities of a wise commonwealth be substituted for the personal ties of parenthood, love and esteem, without undermining society at its bases. The parent should not be led to regard the school as the privilege of the citizen, so much as another scene of household duty." <sup>54</sup> In 1930 the *Philadelphia National Gazette* said: "The scheme of universal equal education, at the expense of the state, is virtually 'agrarianism.' It would be compulsory application of the means of the richer, for the direct use of the poorer classes; and so for an arbitrary division of property among them. . . . One of the chief excitements to industry, among those classes, is the hope of earning means of educating their children respectably or liberally; that incentive would be removed, and the scheme of state and equal protection be thus a premium for comparative idleness." <sup>55</sup> A member of the General Assembly of Indiana once exclaimed: "When I die, I want my epitaph written: 'Here lies an enemy of free schools.'" <sup>56</sup>

Writing in 1846 in his capacity as Secretary of the Massachusetts State Board of Education, Horace Mann said: ". . . there is not at the present time, with the exception of the States of New England and a few small communities elsewhere, a country or a State in Christendom which maintains a system of free schools for the education of its children. . . . I believe that this amazing dereliction from duty, especially in our own country, originates more in the false notion which men entertain respecting the nature of their right to property, than in anything else. . . . The rich man who has no children declares that the exaction of a contribution from him



to educate the children of his neighbor is an invasion of his rights of property." <sup>57</sup>

The relative backwardness of public education even as late as 1870 is revealed in a series of comparisons presented in the *Statistical Abstract of the United States for 1932*.<sup>58</sup> The percentage of children of school age—five to seventeen—actually enrolled in school increased from 57 percent in 1870 to 81 percent in 1930. The average number of days spent in school annually mounted from 78 to 143. The annual per capita expenditure per enrolled pupil jumped from \$9.23 to \$90.22, while the average annual salary per teacher increased from \$189 to \$1,420.

Mr. George Harris, Professor in Andover Theological Seminary, in a volume published in 1897, wrote: "My own opinion is that it is a great deal better for the most of the pupils not to remain in school. They are cut out for mechanics, weavers, farmers, artisans. To acquire skill in their pursuits they should begin early . . . the higher schools do not fit scholars, but actually unfit them, for manual pursuits, by giving a smattering of knowledge and by creating distaste for the humble tasks to which the majority are best suited." <sup>59</sup>

Concerning the long struggle for free schools, Dean Cubberley has written: "Excepting the battle for the abolition of slavery, perhaps no question has ever been before the American people for settlement which has caused so much feeling or aroused such bitter antagonisms. . . . Often those in favor of taxation were fiercely assailed and even at times threatened with personal violence." <sup>60</sup>

#### 4. Trade Unions

The prohibition and suppression of collective action on the part of the workers is another device frequently utilized by industrialists to maintain themselves in power. Although manufacturers and mine operators have always felt free to act collectively whenever their interests could thus be advanced, and in spite of the rapidly increasing size and power of financial units in industry, they have often frustrated the efforts of their employees to form effective trade unions. Indeed, not less than thirty separate legal prohibitions were enacted in England prior to 1825, the most drastic being the notorious Combination Laws which declared workers' organizations to be conspiracies in restraint of trade and imposed a sentence of three months' imprisonment. Wilberforce defended this ruthless

suppression because he regarded "these combinations as a general disease in our society."<sup>61</sup> Although wages were intolerably low, hours insufferably long, and working conditions vile beyond description, employees were kept utterly at the mercy of the owning class. Francis Place in 1824 collected eight volumes of evidence revealing the merciless exploitation of the workers. Magistrates were accustomed to threaten "workmen with imprisonment or services in the fleet as the alternative to accepting the wages their masters chose to offer them."<sup>62</sup>

In the United States, employers as a class have relentlessly fought trade unions, with certain notable exceptions. Early efforts of the workers to organize often ended in legal convictions on grounds of criminal conspiracy, and throughout the industrial history of America, members of the laboring class have been subjected to numerous and rigorous limitations and handicaps. Anti-union tactics adopted by employers include: denial of free speech and free assembly, bribing or buying-off union leaders, vilification of union men, threats of discharge and other forms of intimidation, the blacklist and the lockout, the "yellow-dog" contract, the industrial spy system, dispossessing workers from company houses, the use of violence through private guards and privately employed deputy sheriffs, prohibition of peaceful picketing, unjust injunctions, the domination of courts and other agencies of government, the subsidizing of the press and the corruption of public opinion.

The attitude of President Corbin of the Reading Railroad differed from countless other employers only in that it was more frankly expressed: "No member of any labor organization (except such as are purely beneficial or benevolent) will be employed by the Company, and every man engaging with the Company must sign a written agreement that as long as he is in its employ he will not belong to such an organization."<sup>63</sup>

For more than 30 years the National Association of Manufacturers has carried on a vigorous and unrelenting campaign against organized labor. Back in 1903, President Parry asserted: "Organized labor knows but one law and that the law of physical force—the law of the Huns and Vandals, the law of the savage. . . . It is, in all essential features, a mob power knowing no master except its own will. Its history is stained with blood and ruin."<sup>64</sup> Another President, John Kirby, Jr., was equally vehement: "There are no such dangerous anarchists in our midst as those labor leaders who

instigate strikes and then aid and abet the thugs who perpetrate the murderous assaults upon men who see fit to go to work when the strike is on. The greatest danger lies in the recognition of the union. . . . Our gospel is brief and clear. It is, in its essence, merely the spirit of American freedom applied to the realm of American industrial life and to the preservation of the institutions which have given us industrial liberty under law, nothing more, nothing less." <sup>65</sup>

Many of the giant corporations of the land are ruthlessly determined to prevent the organization of their employees in effective unions. Concerning the policy of the United States Steel Corporation, a commission of the Interchurch World Movement said: "The sole concern of the Steel Corporation was whether the anti-union policy could be carried out, without too great damage to immediate profits. The decision was a weighing of chances; the decision did not concern the rights of man. The history of the Steel Corporation's dealings with labor since 1901 shows a consistent and successful carrying out of the anti-union policy. Largely by shutting down mills conceded to be 'union' and by discharging workmen for forming other unions this result has come about: whereas in 1901 one-third of the Corporation's mills dealt with unions, in 1919 these and all other unions had been ousted, no unions were dealt with. . . ." <sup>66</sup>

During this memorable strike, J. P. Morgan, himself the dominating figure in a vast combination of industrial and financial units, wrote to the chairman of the Steel Corporation: "Heartiest congratulations on your stand for the open shop, with which I am, as you know, absolutely in accord. I believe American principles of liberty are deeply involved and must win if we all stand firm." <sup>67</sup> This policy of relentless opposition to the unions has been continued to the present hour, not only by the Steel Corporation but by countless other giant combinations of capital. In a statement before a Senate committee in June, 1933, the Honorable R. P. Lamont, representing the American Iron and Steel Institute, and former Secretary of Commerce, declared: "The industry stands positively for the open shop. . . . It is opposed to conducting negotiations regarding such matters otherwise than with its own employees; it is unwilling to conduct them with outside organizations of labor or with individuals not its employees." <sup>68</sup> In a later section on industrial warfare, a more detailed consideration of the extreme measures

adopted by many employers to crush organized labor will be presented.\*

### 5. *Abolition of Child Labor*

The doctrine of laissez-faire has led to the ruthless exploitation of women and children. Intelligent and devout employers have often lived in luxury from the proceeds of industries which devoured human flesh and blood. Callous indifference and pious protestations of inability to remedy these evils have frequently been the responses of industrialists to inhumanly long hours and starvation wages. In two ghastly chapters, J. L. and Barbara Hammond have portrayed the miseries of British children employed in mills and factories during the early decades of the nineteenth century. In his famous Poor Law Bill, Pitt proposed that pauper children should be apprenticed to millowners at the age of five. Parish officials sometimes insisted that employers must accept one idiot for every twenty sound children supplied as apprentices. The regular working day for children, sometimes as young as six, was fourteen or fifteen hours, while in "busy times hours were elastic and sometimes stretched to a length that seems almost incredible. Work from 3 A. M. to 10 P. M. was not unknown; in Mr. Varley's mill, all through the summer, they worked from 3.30 A. M. to 9:30 P. M. At the mill, aptly called 'Hell Bay,' for two months at a time, they not only worked regularly from 5 A. M. to 9 P. M., but for two nights each week worked all through the night as well. The more humane employers contented themselves when busy with a spell of sixteen hours (5 A. M. to 9 P. M.)." <sup>69</sup> When Peel introduced his bill to limit the working day for children to twelve hours, exclusive of meal times, millowners protested that the act was "impracticable" and "prejudicial to the Cotton Trade." <sup>70</sup> An employer who operated his mills on a fourteen hour day for children solemnly declared: "Nothing is more favourable to morals than habits of early subordination, industry and regularity." <sup>71</sup> "It took 25 years of legislation," declared Walpole, "to restrict a child of nine to a 69 hour week, and that only in cotton mills." <sup>72</sup>

A society that tolerated and indeed considered necessary the cruel exploitation of children could scarcely be expected to afford protection for women in industry. As late as 1842 a British governmental commission reported on conditions among young women

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\* See page 114ff.

in the mines: "Chained, belted, harnessed like dogs in a go-cart, black, saturated with wet, and more than half naked—crawling upon their hands and feet, and dragging their heavy loads behind them—they present an appearance indescribably disgusting and unnatural." <sup>73</sup>

One of the arguments used by Alexander Hamilton in urging an American protective tariff in 1791, was that the extension of machine industry would make possible the profitable employment of women and children of "tender age." <sup>74</sup> In 1833 it was estimated that two-fifths of all the factory workers in New England were children under sixteen years of age. <sup>75</sup> Not until 1842 did Massachusetts pass the first law limiting the hours of children in industry, prohibiting the employment of children *under* twelve for more than twelve hours per day. In 1856 Connecticut restricted the hours of children under fourteen to twelve per day. But even these inadequate laws were feebly enforced. Twice the United States Supreme Court has declared child labor laws unconstitutional, and when a child labor amendment was passed by Congress, it was ratified by only a few states and is therefore inoperative, although in recent months there has been a drastic change of attitude.

The National Association of Manufacturers conducted a vigorous campaign against the child labor amendment, rejecting "this revolutionary grant of power to the Congress as repugnant to our traditional conception of local responsibility and self-government. . . ." <sup>76</sup> Mr. James A. Emery, general counsel for the Association, declared: "The proposal is socialistic in its origin, philosophy and associations. . . . The word 'Socialistic' has been frequently and loosely applied to many proposals. This phrase is, however, related to the present proposal by unusual evidence of directing influence and sympathetic philosophy." <sup>77</sup>

Senator King asserted: ". . . every Bolshevik, every extreme communist and socialist in the United States is back of the measure. . . . Of course, this is a communistic, Bolshevistic scheme, and a lot of good people, misled, are accepting it, not knowing the evil consequences which will result and the sinister purposes back of the measure." <sup>78</sup> And it was Senator Reed of Missouri who exclaimed: "I affirm that it is completely subversive of our form of government; that it is socialistic, bolshevistic, and I would almost say, anarchistic. It has all the vices of socialism and none of its virtues. . . . It is a march from liberty toward despotism. It assassinates democracy,

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and upon its grave establishes a hybrid monstrosity. . . . It is as idiotic as it is destructive, and as wicked as it is imbecile.”<sup>79</sup> While Mr. Everett P. Wheeler, Chairman of the Executive Committee of the American Constitutional League cried: “The vice of all these special prohibitions is that they interfere with, break up, the fundamental principles of our American freedom.”<sup>80</sup>

### 6. *The Regulation of Working Hours*

Ceaseless and bitter opposition to efforts on the part of the workers through organization and legislation to reduce the length of the working day has been put forth by employers as a class, with many exceptions. Huge volumes would be required to record the details of the sordid story of how industrialists in their mad scramble for profits have cruelly exploited their employees.

From a vivid summary of the evidence in the *Encyclopedia of the Social Sciences* the following passage is taken: “. . . about 1800 a working day of 14 hours was customary, one of 16 hours attracted little attention and only a working day of 17 or 18 hours was considered an abuse. Such excessively long hours were worked not only by men but also by women and children. . . .”<sup>81</sup> In 1833 the carpenters of Washington protested against “a custom that bound them to stand at their benches from fifteen to seventeen hours, for the paltry sum of one dollar and thirty-seven and one-half cents.”<sup>82</sup> While in that same year bricklayers complained that “a man after toiling fifteen hours exposed to the scorching rays of the Summer Sun, returns to his house worried and dejected.” In 1850 the average working day in the factories of Lowell was estimated by a committee of the Massachusetts legislature to be “11 hours and 58 $\frac{2}{3}$  minutes.”<sup>83</sup> About 20 percent of the employees in the iron and steel industry in 1910 worked 84 hours or more per week, according to the United States Bureau of Labor Statistics. “Moreover, steel manufacturing is a continuous industry, and thousands of men work consecutively either 18 or 24 hours once in every two weeks, in order to make the shift from day to night work. . . . A third of those actually engaged in manufacturing processes in 1910 worked not only 12 hours a day but 7 days a week. . . . The percentage of employees working 72 hours or over per week ranged from 40 percent in cement manufacturing to 95 percent in sugar and molasses manufacturing.”<sup>84</sup> As late as 1914, “fully 25 percent of the more than

7,000,000 workers in manufacturing industries were working from 60 to 72 hours weekly." <sup>85</sup> The 12-hour day, the 7-day week, and the 24-hour shift every two weeks were not abolished by the United States Steel Corporation until 1922, following a decade of nationwide public condemnation and an open appeal from the President of the United States.

The twelve or thirteen hour day for women was common as late as the third decade of the nineteenth century. The first ten-hour law was enacted by New Hampshire in 1847, but was so poorly enforced that it was "scarcely of any use except as a beginning of such legislation." <sup>86</sup> Throughout our history, employers as a class have vigorously opposed the limitation of hours of labor for women by legislation, and have sought to preserve the freedom of women to work as long as they desired or necessity compelled.

Since normal human beings are extremely reluctant to admit to themselves that they are greedy or cruel, it has been necessary for employers to perfect a series of rationalizations for their conduct in imposing long hours of labor upon their employees. A major premise has been that necessity drove them to this practice, competition being so severe that profits would be destroyed by a shorter working day. In objecting to a reduction of the ten-hour day in 1872 an Employers' Central Executive Committee declared: "Being unable to obtain a higher price for our goods on account of this COMPETITION, we should be unable to continue business if we were obliged to reduce the hours of labor or increase the compensation therefor." <sup>87</sup>

Another argument has been that the workers would not know how to utilize leisure time and would fall into all manner of evil habits. The building contractors of Boston once viewed with alarm the changing of the hours of labor which have been "customary from time immemorial" as "fraught with numerous and pernicious evils. . . . We fear and dread the consequences of such a measure, upon the morals and well being of society." These same employers regarded this revolutionary proposal as "an evil of foreign growth." <sup>88</sup> Another group of Boston capitalists deplored the movement as "opening a wide door for idleness and vice" and giving "an artificial and unnatural turn to business" and tending "to convert all its branches into Monopolies." <sup>89</sup> Mr. John Fitch tells of a conversation with a steel-company president in which the latter main-

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tained that "a twelve-hour day was an excellent thing for the development of character." <sup>90</sup>

In this field, as in many other areas of labor legislation, the National Association of Manufacturers has steadily resisted the efforts of workers to organize for the purpose of reducing working hours or to secure legislation directed toward this end. The eight-hour day was fought ruthlessly. In 1904 in a pamphlet of 115 pages, which was widely circulated by the Association, the eight-hour movement was described as "arbitrary, needless, destructive, dangerous. . . . The National Association is committed to an unrelenting opposition to this vicious, needless, and every way preposterous proposition." Such questions as hours of labor should "be permitted to regulate themselves according to the rule of demand and supply; which is after all the natural law that cannot be overturned." <sup>91</sup> And it appears axiomatic that "the manufacturer who cannot have a free hand in the management of his business, suiting his needs to the circumstances that surround him, cannot continue to do business." <sup>92</sup>

And, of course, the whole thing is socialistic! "The Eight-Hour bill, as it has been introduced in successive Congresses," declares the National Association, "is the work of the agitator pure and simple." <sup>93</sup> To set limits to the working day in the navy yards would be "little less than treason." <sup>94</sup> President Parry of the Association declared: "The eight hour bill if enacted into law would mark a radical departure from the spirit of our free institutions and would work great harm to industrial interests. The bill belongs to the category of socialistic schemes which organized labor favors for the artificial regulation of industry. . . . Such paternalism and artificial regulation of industry as this bill contemplates is directly at variance with those inalienable rights of the individual to do as he pleases with his time, his labor, and his property, so long as he does not infringe upon the equal rights of another." <sup>95</sup>

Back in 1884 Theodore Roosevelt opposed a bill to forbid street-car employees from working more than twelve hours per day on the ground that it was "purely socialistic." <sup>96</sup>

### *7. Workmen's Compensation*

In their frantic pursuit of profits, manufacturers have frequently been careless of or indifferent to the health and safety of their employees. Working conditions have often been insanitary and



dangerous to a high degree. Yet employers have been slow to install adequate safeguards and to provide healthful shop conditions. Indeed, they have frequently resisted with vigor legislation designed for the protection of the workers. Decades of endeavor were required before industrial workers in general were provided with decent toilet facilities, separate dressing rooms for men and women, safeguards on dangerous machinery, protection against fire, satisfactory heating, lighting, and ventilation.

Not until 1886 did Massachusetts pass the first state law requiring the reporting of industrial accidents.<sup>97</sup> The effort to make employers financially responsible for losses due to industrial hazards was bitterly resisted. As late as 1880 the only legal remedy open to a British workman who had sustained an injury in the course of his employment was a common law action in which it was necessary for him to establish the fact that his injury was due to some personal fault of the employer, as that the employer had been guilty of personal negligence, had committed a violation of some statutory duty, or had knowingly employed an incompetent fellow employee. In addition, there was the necessary expense of litigation, which meant that only in rare cases did a worker receive damages for industrial injuries. Nevertheless, industrialists as a class long resisted efforts to provide legal relief for the workers. Finally in 1893 and 1897 a substantial beginning was made in Great Britain, but not until 1902 did Maryland enact the first legislation of this character in the United States.<sup>98</sup> This law was declared unconstitutional, and it was 1910 before New York passed the first law of general application, providing for compulsory compensation in certain hazardous occupations.<sup>99</sup> This law in turn was declared unconstitutional by the New York court of appeals. The state constitution was thereupon amended, and in 1914 a similar law was passed. Most states now have such legislation, in spite of the fact that, in the words of the *Encyclopaedia Britannica*, "sociological legislation in the United States has had generally to survive the onslaught of constitutional lawyers, and the workmen's compensation legislation furnishes no exception."<sup>100</sup> Professor Watkins, in enumerating six reasons for the delay in enacting compensation laws, includes this one: "the traditional American suspicion that such a measure constituted a step toward state socialism."<sup>101</sup>

Coal mining has exacted a terrible toll of life, and the tragedy is heightened by reason of the fact that many of the worst disasters

are preventable. Mr. John B. Andrews, secretary of the American Association for Labor Legislation, says in this connection: "I believe it is a reasonable statement that two-thirds of the fatal and serious accidents at the bituminous coal mines of this country could be prevented by the universal adoption of safety methods already in successful operation at some of the mines of this country or in Great Britain."<sup>102</sup> After quoting a statement by Director Bain of the United States Bureau of Mines to the effect that explosions of coal dust can be prevented by the intelligent use of rock dust or shale dust, Mr. Andrews continues: "There are not, to my knowledge, more than three substantial coal companies in America that are using this simple, reasonably inexpensive safeguard against coal-dust explosions."

During the 1932 Presidential campaign, Franklin D. Roosevelt reminded his audience that in the 1911 session of the New York Legislature, which passed the Workmen's Compensation Act, that "we youngsters who were in favor of it were called socialists and radicals."<sup>103</sup>

#### 8. *Pure Food Laws*

Prior to the enactment of the Federal Food and Drugs Act of 1906, manufacturers, producers and shippers of food were often guilty of gross negligence and deliberate fraud. At one time the milk supply of New York City came "from cattle in the last stages of tuberculosis, fed on garbage, and milked in filthy underground stables."<sup>104</sup> A list of adulterations and frauds compiled by Charles A. and William Beard includes the following: "chicory and clay molded in the form of coffee berries, colored and flavored to represent coffee but containing no trace of the latter; white stone ground into a fine powder and mixed with wheat flour; vinegar tintured with sulphuric acid; milk made synthetically and not containing one drop of the genuine substance; artificially colored sawdust ground and added to cayenne pepper . . . a cure for pernicious anaemia consisting largely of ground granite; a cure for cancer in the form of a bread and milk poultice."<sup>105</sup>

Early in 1905 a London medical journal published a series of articles exposing conditions in the Chicago meat-packing industry. "They were brutally frank in their seeming fidelity to the truth," writes Claude G. Bowers. "They set forth that 'several nations of the more civilized parts of the world have thought it necessary to

enact special laws against Chicago' . . . and they described the scenes of the slaughter-house—the splashing of offal, and the sputum of tuberculous workers accumulating for 'weeks and months.' A dreadful picture—the windows 'heavily caked with dirt,' the closets out of order and offensive, the condemned carcasses of diseased animals in the same room where meat was being prepared for human consumption." <sup>106</sup>

A mild report of investigating agents representing the Department of Agriculture told a "story of rats nibbling meat and of filthy conditions," while a report submitted by President Roosevelt's special investigators, Reynolds and McNeill, was "a loathsome document. It told of filth, disease, and gross carelessness in the packing houses. Tuberculosis was prevalent among the workers. Old bits of rope had been discovered in chopped meat about to be placed in cans." <sup>107</sup> No wonder that Walter Lippman wrote that if the full story were told, "milk would curdle the blood, bread and butter would raise a scandal, candy—the volume would have to be suppressed." <sup>108</sup>

Senator Beveridge introduced a bill providing for thorough inspection—"and then began the tumult and the shouting. The packers and cattlemen of the western plains made common cause against the bill, and launched the most transparent propaganda. . . . The strategy of the packers and their allies was to wreck the bill by amendments in the House. . . . The Capitol was congested with lobbyists." <sup>109</sup> When the President made public the Reynolds-McNeill report, a friend wrote to Beveridge that in Chicago there was "intense bitterness . . . among the business men and bankers against the President." This correspondent had attended a meeting of the business men's and bankers' associations where he found "the expressions almost unanimously against the President." <sup>110</sup> The affair caused a breach in a long intimacy between Beveridge and Charles G. Dawes.

Between January 20, 1879, when the first pure-food bill was introduced in the House, and June 30, 1906, when the Pure Food Law was signed, 190 separate measures related to specific foods were introduced in Congress.<sup>111</sup> Altogether more than 14,000 pure-food cases, including both seizure and criminal prosecution, have been carried through the Federal courts, in addition to action against countless concerns for minor violations.<sup>112</sup>

### 9. *Housing Regulations*

The desire for gain has expressed itself also in the form of shacks and tenement houses. Property owners have taken every possible advantage of the ignorance, inertia and poverty of the workers and have often herded them together in unspeakably vile quarters. For a full century the United States has been confronted with a tragic slum problem. As far back as 1834 Gerritt Forbes, a health official in New York City, attributed the high death rate to unsanitary tenements. No official action was taken, however, until 23 years later when the first special committee was appointed to investigate housing conditions. The report of this committee constitutes nauseating reading: "Dim, undrained courts, oozing with pollution; dark, narrow stairways, decayed with age, reeking with filth, overrun with vermin; rotted floors, ceilings begrimed and often too low to permit you to stand upright; the windows stuffed with rags." Of one house it was reported: "To reach these premises it was necessary to pass through an alley the widest portion of which was but two feet, the narrowest nineteen inches. In case of fire, escape to the street would be a miracle."<sup>113</sup> In a single room 12 by 12 feet, five families totaling 20 people of both sexes and all ages were found living together.

When the chief of police of New York City made an investigation in 1850, he unearthed appalling conditions. "It was found that 18,456 persons occupied 8,141 cellars with no other rooms. This meant that about one-thirtieth of the population of New York City lived underground. The official report of this investigation says: 'There are cellars devoted entirely to lodging, where straw at two cents, and bare floor at one cent a night can be had. . . . Black and white, men, women and children are mixed in one dirty mass. Scenes of depravity the most horrible are of constant occurrence'."<sup>114</sup>

The Council of Hygiene and Public Health of the Citizens' Association of New York reported in 1866 that "15,000 people were still living in cellars. Some of these cellars were below sea level and had water constantly standing in them. Sometimes it was sewage. A mother with a new-born baby was described as lying on a bed elevated on boxes to lift it above water. Back-yard privies abounded with overflowing vaults. Open gutters ran with sewage."<sup>115</sup> The following year the first tenement house law was

passed, but it was a mild measure and left many of the worst abuses uncorrected.

Boston and Chicago made no effort whatever to regulate the construction of buildings until 1871, and in practically all the cities of the country housing conditions were extremely perilous to health and morality.<sup>116</sup> In New Orleans an official report in 1880 said: "The soil is saturated almost to its surface, and saturated very largely with the oozeings of foul privy vaults, and the infiltrations of accumulations on the surface of the streets and in the rear of houses."<sup>117</sup> At the turn of the century, the New York Commissioner said that his city presented "the most serious tenement house problem in the world."<sup>118</sup>

Nevertheless, the tenement house law of 1902 was ruthlessly attacked by many property owners who were reaping a rich harvest from the blood of the poor. Nearly a quarter of a century later, Justice Edward F. Boyle, of the Children's Court of New York City said: "Reports to me show that the evil of doubling up families in small apartments, far from abating in two years, has grown steadily worse; that the male lodger is in the small home in larger number than before with all the attending degrading potentialities to family life and morals; that congestion is growing and spreading."<sup>119</sup> The most recent testimony is to the effect that the catastrophic economic depression has led to still further crowding among slum-dwellers.

#### *10. Interstate Commerce Commission, Federal Trade Commission and Federal Reserve System*

Throughout the realms of transportation, industry and banking, callous indifference to public welfare has frequently been manifested, while fraud and corruption have been widely practiced. Nevertheless, industrialists and financiers have usually resisted every extension of public control designed to curb the ruthless exploitation of the common people. The Interstate Commerce Commission, the Federal Trade Commission, the Federal Reserve System are now almost universally regarded as necessary and beneficial, yet when legislation of this character was first suggested, it was greeted with a storm of denunciation from vested interests whose autocratic and lawless reign was threatened.

After twenty years of unrestrained bribery and exploitation, the Senate in 1885 appointed a committee to investigate the entire rail-

way situation. The findings of this body were so devastating that two years later Congress enacted the first interstate commerce law and vested its administration in a newly created Interstate Commerce Commission. In the early days the authority of this agency was confined to investigating, reporting and recommending, but subsequent experience has demonstrated the necessity for a constant extension of its powers, until today it can summon witnesses, compel oral and written testimony, prescribe just and reasonable rates, lay down proper regulations and practices, supervise and control the issuing of new securities, determine whether proposed extensions are in the public interest, and carefully scrutinize all financial accounts.<sup>120</sup> Not until 1914 was the Federal Trade Commission created and empowered to investigate and report concerning "unfair methods of competition in commerce" and wherever necessary issue complaints and orders to desist from such a practice. In that same year the Federal Reserve System was inaugurated in an effort to bring order out of semi-chaos in the banking world.

So resentful were railway operators against any governmental restraint that in 1871 the suggestion of the Massachusetts commissioners that railway corporations should carefully revise their rates provoked one general manager to exclaim that "he had not supposed, and did not now suppose that the Commission intends to seriously attempt advising the trained and experienced managers of roads in this Commonwealth upon the details of their duty." And this at the height of a period thus described by Charles Francis Adams, Jr.: "Lawlessness and violence among themselves, the continual effort of each member to protect itself and to secure the advantages over others, have, as they usually do, bred a general spirit of distrust, bad faith and cunning, until railroad officials have become hardly better than a race of horse-jockeys on a large scale. . . . Peace is with him always a condition of semi-warfare; while honor for its own sake and good faith apart from self-interest are, in a business point of view, symptoms of youth and defective education."<sup>121</sup> It was three decades later when Milton H. Smith, President of the Louisville and Nashville Railway, in reply to a question as to what remedy the shipper or traveler had against unreasonable rates, exclaimed: "He can walk. He can do as he did before he had a railroad, as thousands now do who have no railroad."<sup>122</sup>

The idea of rate regulation was obnoxious to the editor of the

*Nation*, and he raved against it as "confiscation, or, if another phrase be more agreeable, the change of railroads from pieces of private property, owned and managed for the benefit of those who have invested their money in them, into eleemosynary or charitable corporations, managed for the benefit of a particular class of applicants for outdoor relief—the farmers." <sup>123</sup>

Three huge volumes are required to contain the testimony before the Senate Committee on Interstate Commerce in 1905. The following excerpts are typical of the hostile attitude toward governmental regulation: "in matters of railroad regulation, I am opposed to Federal interference in all or in part. . . . Competition is the law of business, with railroads which have transportation to sell, just as it is with merchants who have goods to sell. . . . There is no complaint except people who would be glad to see a condition amounting first to municipal socialism, and second to State socialism. . . . Rates of freight are the sales price for the service the railroads render, and it would be just as legitimate for the Department of Commerce and Labor to take absolute control of the price schedules of all other corporations as to confer the power of making rates upon the Interstate Commerce Commission. The American public, I take it, is not prepared to submit to this method of confiscation of property rights." <sup>124</sup> In an address on railway regulation, Robert Mather said: "As a nation, we have no greater peril to fear than the constant interference of agents of Government in our daily affairs." <sup>125</sup>

"The railroads have been crazy in their hostility," President Roosevelt wrote to Ray Stannard Baker. A biographer of the President comments: "Even more indicative of the President's growing radicalism, perhaps, was his specification that there should be full publicity of all accounts of the common carriers. This caused additional apprehension in the breasts of the railroad men and their bankers, for they saw in it a threat of future action that could be defined only as sheer socialism." <sup>126</sup>

Every possible effort was made to prevent the creation of the *Federal Trade Commission*. Typical arguments of the spokesmen for business interests are those of Senator Townsend and Senator Sutherland. "It seems to me," said the former, "that the gun provided in the bill is out of all proportion to the real game sought. We would not think of hunting chipmunks with a cannon. The proposed effort to destroy illegal business is like firing grape and can

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ister into a flock of sheep to kill a diseased one in their midst.”<sup>127</sup> Senator Sutherland, who has since become a Justice of the Supreme Court of the United States, warned: “I believe it to be a dangerous measure, and in many respects an unjust measure, and a measure which we ought not to pass. . . . I am opposed to this bill from the beginning of it to the end of it, with its arbitrary powers, with its absurd requirements.”<sup>128</sup>

An avalanche of pressure was brought to bear upon Congress to prevent the creation of the *Federal Reserve Banking System*, especially the inclusion of those features which enlarged governmental powers of control. Former Senator Aldrich of Rhode Island, one of the most faithful servants of big business ever elected to Congress, was extremely critical of many aspects of the bill, using such language as this: “. . . radical and revolutionary in their character and at variance with all the accepted canons of economic law. . . . If the attempt is successful it will be the first and most important step toward changing our form of government from a democracy to an autocracy. No imperial government in Europe would venture to suggest, much less enact, legislation of this kind. . . . The creation of this board, however, is clearly a favorable response to socialistic demands.”<sup>129</sup>

Senator Sherman of Illinois, in the debate on the Federal Reserve bill, exclaimed: “For myself I would support a law to wind a watch with a crowbar as cheerfully as I will support any such bill. . . . Business is restrained by commercial laws superior to statutes. . . . Business is ruled by laws as inexorable as the tides. . . . The attempt to so control credit can end in nothing but disastrous failure.”<sup>130</sup> While the Honorable Charles H. Fowler of New Jersey wailed: “I don’t know what it will do to you central bankers, but it will put the country national banks out of business.”<sup>131</sup>

### 11. *Postal Savings Banks and Parcels Post*

The financial interests of the country were extremely hostile to the idea of establishing postal savings banks. In commenting upon the history of legislative efforts in this direction, Professor Kemmerer points out that success was not achieved until “after nearly forty years of discussion . . . after eight postmasters-general had recommended the establishment of postal savings banks and ten times as many bills had been introduced into Congress for this pur-



pose.”<sup>132</sup> The American Bankers’ Association conducted an extensive campaign of propaganda against the proposed legislation, “distributing over the country an immense amount of literature and maintaining an active opposition at Washington.”<sup>133</sup> “I have received the protests of nearly every bank in my state against any such scheme,” said Senator Cummins.

From every direction the proposal was damned as paternalistic, socialistic and fraught with infinite peril to the Republic. The literature of the opposition abounds with such expressions as these: “Let us reason together before taking a fatal plunge into paternalism, the effects of which in the long run palsies human progress . . . the menace of this radical movement . . . the whole scheme may be said to be a radical innovation upon the powers, obligations and duties of the Government . . . communistically becoming their business competitor . . . may graft into the fabric of our government a principle destructive to liberty and therefore to the comfort and welfare of the toilers everywhere.”<sup>134</sup>

The idea of establishing postal savings banks was regarded by Colonel D. N. Foster, a Fort Wayne banker, as “a policy fraught with the most dangerous consequences to the vital interests of the American people . . . It is socialistic and contrary to the spirit of our institutions. It is an uncalled-for invasion of private rights.”<sup>135</sup> Concerning the advocates of such legislation, E. R. Gurney, a banker of Fremont, Nebraska, said: “They would have the Government cut loose from its moorings of protection for the individual and plunge into the frightful slough of socialism . . . Socialism is not a mere harmless dream, impossible of fulfillment, to be tolerated as the well wishings of people more poetical than practical; it is a hideous growth of positive malevolence, and it is directly opposed to every fundamental principle of our Government. It is an ingrate knocking at our doors, a thief creeping into our domiciles. It takes from industry its every reward, and dampens energy and ambition with the stifling of the incentive for success. Well may we wake to the hidden currents of the stream of socialistic banking before we take the plunge.”<sup>136</sup>

Even as late as June, 1933, after the banking collapse, the Executive Council of the American Bankers Association included in its recommendations the following: “As the general banking system is strengthened the postal savings system should be progressively restricted.”<sup>137</sup>

The establishment of the *parcels post* was likewise opposed and long delayed by the relentless opposition of vested interests. In a widely circulated statement, John Wanamaker, Postmaster General, declared: "There are just four reasons against the establishment of a parcels post. They are the American, the Adams, the United States, and the Wells Fargo Express Companies."<sup>138</sup> That this was an incomplete statement of the case may be seen from the comment of an editor in 1911: "I have never heard of any association of retail dealers that is not on record against the extension of the domestic parcels post in any form . . . practically all the organizations of wholesalers and manufacturers are opposed to the parcels post, and like the retailers have been fighting it for years."<sup>139</sup>

Tons of ink were consumed in printing such statements as these: "Sugar coat the pill as you will, the parcel post agitation is a self-seeking commercializing sham, sought by the few, advocated by the few, and aimed at the many, who through ignorance or carelessness fail to grasp its scope or its perils . . . If we do, we are going into socialism . . . paternalistic, socialistic legislation . . . The country's commercial system will be revolutionized, the population of rural communities depleted, and their progress retarded . . . It will cost the farmer in depreciation of farm values and removal of social advantages \$10 to every \$1 saving he can secure . . . the institution of a parcels post would mean the destruction of thousands of hamlets, the lessening of activities in innumerable towns, and cessation of growth in many flourishing cities . . . The tremendous losses entailed by revolutionizing the existing mode of distribution would spell disaster to hosts of wholesalers and manufacturers . . . an 11-pound limit will put two-thirds of the retail merchants in all lines out of business . . . I believe that it is all bad. I hope to goodness we do not get it in this country. If we do, God help us."<sup>140</sup>

In this setting, it is amusing to recall that the governmental post office itself was sometimes opposed in its early days. As late as 1844, Lysander Spooner published a booklet entitled, *The Unconstitutionality of the Laws of the Congress Prohibiting Private Mails*, in which he said: "To what further extent of tyranny and mischief, this power, in the future growth of the country, may be exerted, we cannot foresee. And if the people should now surrender this principle, they would thereby prove that their minds are most happily adapted to the degradation of slavery . . . A law for defraying expenses of government, by a tax upon, and consequently by obstruct-

ing the dissemination of, commercial, social and political information, probably combines as many elements of barbarism as any law that perverted ingenuity or political depravity has ever devised."

### *12. Income Tax and Inheritance Tax*

While these taxes are now almost universally relied upon for substantial revenues by the various state governments as well as the Federal authorities, until the immediate past they were regarded with extreme hostility not only by the rich but by a large proportion of the American people. The first Federal income tax was inaugurated during the Civil War and was repealed in 1872. In 1894 this tax was revived but was declared unconstitutional by the Supreme Court. Not until 1913 was the income tax amendment to the Constitution ratified and a new income tax law passed.

At the height of the agitation for an income tax law in 1894, David A. Wells wrote: "Among statesmen and economists there is hardly any dissent from the opinion that the tax is bad in principle, because unequal and unjust in its assessment, and incapable of being made equal and just . . . On this point, Mr. Gladstone, speaking in 1853, said: 'I believe it (an income tax) does more than any other tax to demoralize and corrupt the people:' and Mr. Disraeli, in Parliament, expressed his agreement with Mr. Gladstone by saying, 'The odious features of this tax cannot by any means be removed or modified, . . .' As it is, a system of class legislation, full of the spirit of communism, seems to find favor with the American people."<sup>141</sup>

The income tax was denounced in unrestrained language by the wealthy. On the floor of the Senate, it was assailed as "an assault on Democratic institutions. Its adoption would be the most dangerous feature of the proceedings and operations of this Government since its establishment . . . Sir, I oppose this bill, not in the interests of the rich, but in the interests of the poor . . . I believe it will result in degrading men . . . The men who offer this amendment as a sop to the discontented will be swept away by the rising tide of socialism. They will discover, when too late, that in overturning the barriers which separate liberty from anarchy they have liberated ten thousand furies who will sweep over them and overwhelm them in a mad procession of anarchy and disorder."<sup>142</sup>

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Representative Walker declared that "this proposed law violates the most sacred rights of property . . . The proposition to impose an income tax seems a final desperate effort to inflict all the injury possible to the business and enterprise of the country . . . You are providing a system of taxation which is impossible of just execution, which is inquisitorial, and which has every element of wrong that can possibly be incorporated into law." While Congressman Adams exclaimed: "Mr. Chairman, pass this bill and the Democratic party signs its death warrant."<sup>143</sup> "When you enact an income tax," cried Representative Dunn, "you assail one class of the people for the benefit of another . . . (this) mad policy, if carried out, would create such a financial revolution in this country as was never known in any other—a revolution which would shake the Government to its very foundation and bring want and woe to every household."<sup>144</sup>

In his argument before the Supreme Court, Joseph H. Choate made an unrestrained assault upon the principle of an income tax: "It is far more communistic in its purposes and tendencies . . . It is defended here upon principles as communistic, socialistic—what shall I call them—populistic as ever have been addressed to any political assembly in the world . . . I have thought that one of the fundamental objects of all civilized government was the preservation of the rights of private property. I have thought that it was the very keystone of the arch upon which all civilized government rests, and that this once abandoned, everything was at stake and in danger. . . . According to the doctrines that have been propounded here this morning, even that great fundamental principle has been scattered to the winds . . . This is a doctrine worthy of a Jacobin Club that proposed to govern France; it is worthy of a Czar of Russia proposing to reign with undisputed and absolute power; but it cannot be done under this Constitution."<sup>145</sup>

Opposition to the *inheritance tax* has been, if possible, even more severe than to the income tax. So unanimous was public opinion in the United States that little serious study was given to the question until the very end of the nineteenth century, and "if by chance the inheritance tax was mentioned in books or pamphlets upon taxation, it was only to be dismissed with Ricardo's comment that it bore upon capital and therefore was an evil thing. Few writers dared to defend it, and they were looked upon in those days with suspicion as being 'radical.'"<sup>146</sup> And even after public opinion had shifted to such an extent that inheritance tax laws were enacted in a few

states, "not only were the courts hostile towards them but often the attorneys-general refused to have anything to do with them." As late as 1914, an investigation showed that "the Idaho inheritance tax had been collected in only eleven counties of the state; 'in a majority of the counties the law was a dead letter and very little if any attention given to the matter and apparently no effort made to collect such taxes.' " <sup>147</sup>

A New York law of 1910, which provided for a tax of 25 per cent on inheritances over \$1,625,000 became widely known as the "Reign of Terror Act." "Denunciation of this law was immediate and bitter" and at the following session of the legislature, the rates were sharply reduced.<sup>148</sup> Hostile sentiment continued to prevail to such a degree that the total yield of inheritance taxes in all states combined was less than 27 million dollars in 1913, and less than 29 millions in 1915.<sup>149</sup>

The Honorable Charles L. Knight, former member of Congress and publisher of the Akron *Beacon Journal*, in an address on income and inheritance taxes before the Columbus Chamber of Commerce, said: "Either we must repeal the Sixteenth Amendment (income tax amendment) or in time it will wreck the prosperity of the country and fasten upon it the curse of state socialism . . . Furthermore we demand that the barbaric inheritance tax law . . . be abolished or rewritten with an American pen instead of one borrowed from Moscow . . . This duty we dare not shirk unless we are willing that our descendants shall see the gloomy despotism of Moscow settle over the republic of Lincoln, Jefferson and Washington." <sup>150</sup>

In 1924 the *Financial Chronicle* said editorially: "The action of the House of Representatives in providing for an increase in taxes upon inheritances—the proposed maximum being 40%—and placing a tax upon "gifts" is a blow at the whole structure of American government . . . It is primarily a socialistic measure . . . And it is high time the people of moderate fortunes understand that if this spirit goes on unchecked for another generation invading our laws we will have attained to socialism in fact though not in name . . . The end of such a system cannot deceive anyone—it is confiscation." <sup>151</sup>

### 13. Unemployment Insurance

Opposition to unemployment insurance is still so widespread that it is scarcely necessary to cite illustrations. Yet the shift in public

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attitude has been so sweeping during recent months that a few reminders may not be out of place. Four stages in the hostile arguments are easily discernable: for a long time there was a tendency to question the seriousness of the problem; then there was an inclination to place blame upon the shoulders of the unemployed; afterward there was an emphasis upon the injustice of compelling employers to bear the burden of supporting the unemployed; and there have been countless warnings against the socialistic nature of "the dole."

Back in 1928 when engineers and social workers were stressing the social peril of ignoring the four millions, at least, of unemployed, and when efforts were being made to secure appropriate legislative action, the *New York Sun* served soothing-syrup in the form of an editorial: "There is no real occasion for alarm, but leather-lunged politicians do not hesitate to cry 'Breadline!' with all the reckless disregard of possible consequences exhibited by the fool in a crowded theater who shouts 'Fire!' when there is no fire . . . when unemployment is no greater in February than it is now and when general business conditions are as good as they are now, the signs actually indicate a healthful upturn . . . Shouting 'Breadline!' is a cheap political trick at such times as this."<sup>152</sup>

When the number of unemployed had reached eight to ten millions, the *Financial Chronicle* editorialized in this fashion: "In truth we do not know how many of the five or six millions of the unemployed of today are out of work by their own desire or choice . . . We come back to the individual man—the cause and cure of all things material. How can he prevent recurring 'unemployment' and 'hard times'? It is hard to say. But when man makes his own bed he must sleep in it. When he wastes his substance in riotous living in prosperity he must suffer for his own acts."<sup>153</sup> Six weeks later this same spokesman of Wall Street said: "We are ourselves the cause of our own unemployment—because we live for greed and gain rather than for good and grace. The 'crisis' will pass as we forget it in sober, serious living. Sometime, it will seem no more than a summer storm!" And this was written on August 15, 1931!

About that time Rome C. Stephenson, President of the American Bankers Association, interpreted the situation in these words: ". . . our traditional American individualism must assert itself. The individual determination to provide against sickness, accident, death by insurance must be asserted before indulgences in extra

comforts and luxuries are given place in the family budget . . . I know of no greater national misfortune that can come to the United States than a weakening of this sense of individual responsibility and eagerness for economic independence—and such a weakening is bound to come as a result of agitation to shift the burden for favored political classes to some form or other of public doles, or for our laboring masses to some form or other of corporate dependency.” And then Mr. Stephenson pleaded with his banking colleagues to “do their part in maintaining unimpaired that spirit of sturdy American individualism that is the priceless spiritual heritage of our national character from that indomitable race of pioneers who founded this country in defiance of all forms of serfdom.”<sup>154</sup>

The idea that employers should be held responsible for the maintenance of their unemployed workers through reserve funds for wages was editorially labeled “A Dangerous Doctrine on Unemployment” by a financial journal. The declaration “that there is an ‘obligation’ upon industry to provide unemployment insurance or even to prevent unemployment is an unwarranted assumption. There is no such obligation . . . There is another way—and that is the generosity of the ‘people generally’ to feed, clothe, house, temporarily only, the unfortunate suffering from calamities . . . To rush to the conclusion that ‘industry’ is ‘obligated’ to keep men at work or pay wages for work never performed, is to libel reason and set mere human sympathy above the necessary complexes of a modern civilization.”<sup>155</sup> The Massachusetts Special Commission on Unemployed declared: “Compulsory unemployment insurance is class legislation. It not alone creates classes, when it attempts to designate what employees shall be the beneficiaries under such a system, but in a measure it taxes the ambitious and industrious worker and rewards the sluggard.”<sup>156</sup>

As late as March, 1933, Merle Thorpe, editor of *Nation's Business*, the official organ of the United States Chamber of Commerce, in a signed editorial entitled “With Charity for All,” said: “If we have really come to enjoy poor economic health, the surest way to prolong the malady is to talk about giving direct government aid to the man who says he cannot find a job. The idea is not quite that simple, of course, but the subsidy of idleness is its essence. The deadly atrophy of ambition creeps on men fast enough without accelerating it with a financial bonus . . . There is neither logic nor salvation in seeking the rehabilitation of men by stultifying enter-

prise and enfeebling spirit. In vain shall we look for the 'beneficiaries' of a system which inherently outrages the instincts of ordinary manliness."

"The government was set up to be primarily a rule-maker and an umpire," asserts John E. Edgerton, President of the National Association of Manufacturers. "Public unemployment insurance would be not only in conflict with, but subversive of these tested theories of government . . . It (the capitalist system) has never yet been improved by the sewing into it of any patches of red bunting. To say that public unemployment insurance is socialistic, and thereby antagonistic to American institutions, is to say something that every real socialist will admit."<sup>157</sup>

It remained for the *Chicago Tribune*, however, to make the most brazen attack upon the unemployed. On the day after the 1932 election it said editorially: "The facts are ugly, but there is no point in disguising them. The recipients of unemployment relief are objects of charity. They are on the county. It was their duty to support themselves and their families and in addition to help support the common government. For one reason or another they have failed to make the grade. The community has recognized the fact that an economic hurricane has wiped out the jobs and savings of many stalwart citizens and the recognition has taken the form of private gifts and public contributions for relief. The money has been given not because the victims of the hurricane have a right to it but because the community has a heart and wishes to prevent physical suffering . . . No one expected the spokesmen for the 'organized unemployed' to express gratitude, but the commission had a right to expect them to display common sense. The assumption in the minds of the spokesmen was that they are entitled to support by right and to levy the taxes which support them in idleness. It is a false assumption, and if it is allowed to go unchallenged it will place a premium on incompetence, laziness and shiftlessness. It is the dictatorship of the proletariat without a revolution."<sup>158</sup>

#### 14. Public Ownership

It would be a work of supererogation indeed to call attention to utterances against public ownership of natural resources and basic industries. Barrels of ink and myriads of words have told the story. *My only suggestion is that the reader make a random selection of*



*arguments against public ownership and compare them with the type of statements quoted in this chapter.* The parallels are impressive.

The evidence is cumulative and inescapable that the owning class, while enriching its own members by demanding and obtaining special privileges from the government, has bitterly resisted all efforts to curb the power of wealth and property. The extension of democracy, the abolition of slavery, the providing of universal free education, the strengthening of trade unions, the prevention of child labor, the regulation of hours of labor, the establishment of workmen's compensation, the enactment of pure food laws, the regulation of housing, the formation and strengthening of the Interstate Commerce Commission, the Federal Trade Commission and the Federal Reserve System, the inauguration of postal savings banks and the parcels post, the levying of the income tax, and the inheritance tax—all these have been assailed as destructive of sacred rights of property and denounced as dangerous innovations. Industrialists and financiers have monotonously greeted every proposal to limit their privileges and power with the cry, "Down With Socialism!"

## Chapter IV

### PRIMARY RESULTS OF INDIVIDUALISM

FOR MORE than a century and a half American industrialists and financiers have constantly sought special privileges from the government while steadily combatting official restrictions upon their freedom to accumulate wealth and property. They have repudiated and they have advocated laissez-faire, according to their judgment as to which attitude in a given situation best served their own interests. They have demanded governmental intervention in their behalf, but have opposed the socializing process when their favored position was threatened. In an endeavor to form a valid ethical judgment concerning the system of individualism, let us now examine certain of its major results.

#### *1. Wealth and Luxury*

With a virgin continent to explore and exploit, and with men being driven by the desire for private gain, it was inevitable that at least a fortunate few should accumulate great wealth. While the first American millionaire did not appear on the scenes until the nineteenth century, substantial fortunes had been accumulated prior to that time. George Washington was probably the richest man in America at the time of his death, his estate being estimated at \$530,000. Most of this wealth was in the form of land, his total holdings approximating 50,000 acres.<sup>1</sup> Benjamin Franklin, with a fortune of \$150,000, was considered a rich man.<sup>2</sup>

Huge fortunes in cash and liquid securities did not arise until industrialism was well advanced. Secretary of the Treasury Gallatin reported to President Jefferson in 1804: "There are not at present one hundred thousand dollars in Philadelphia, New York and Boston put together."<sup>3</sup> The total amount of money coined down to the year 1820 was less than 19 million dollars, about two dollars per inhabitant.<sup>4</sup> At one time the entire specie stock of the Bank of North

America did not exceed 20 thousand dollars, and consternation reigned when a single depositor withdrew one-fourth of this amount.<sup>5</sup>

So vast were the resources of the country, however, and so dynamic was the urge for gain that the wealth of the country increased at a dizzy pace, as may be seen from the following table of official estimates of the total national wealth of the United States at various periods: <sup>6</sup>

1850.....	\$ 7,136,000,000
1860.....	16,160,000,000
1870.....	30,069,000,000 (currency basis)
1870.....	24,055,000,000 (gold basis)
1880.....	43,642,000,000
1890.....	65,037,000,000
1900.....	88,517,000,000
1904.....	107,104,000,000
1912.....	186,300,000,000
1922.....	320,804,000,000

While there has been no census estimate of the national wealth since 1922, various unofficial estimates have been published. The National Industrial Conference Board, for example, has estimated the national wealth as follows: <sup>7</sup>

1923.....	\$339,900,000,000
1924.....	337,900,000,000
1925.....	362,400,000,000
1926.....	356,500,000,000
1927.....	346,400,000,000
1928.....	360,100,000,000
1929.....	361,800,000,000
1930.....	329,700,000,000
1931.....	280,300,000,000
1932.....	247,300,000,000

These figures show that the per capita wealth in the United States increased from \$308 in 1850 to \$870 in 1880, \$1,165 in 1900, \$1,950 in 1912, and \$2,918 in 1922.<sup>8</sup>

The national income of this country likewise mounted at an amazing speed. Whereas the figure for 1890 was \$9,600,000,000 and for 1900 it was \$13,100,000,000, it jumped at the following rate: <sup>9</sup>

Year	Total Income in Billion Dollars		Per Capita of Population		Per Gainful Worker	
	Actual Dollars	1913 Dollars	Actual Dollars	1913 Dollars	Actual Dollars	1913 Dollars
1909	28.8	30.2	318	333	759	797
1914	33.2	32.9	339	336	836	829
1919	68.3	38.8	650	370	1,643	935
1926	80.6	48.5	691	416	1,744	1,050
1929	85.2	53.1	701	437	1,763	1,099
1930	71.0	46.1	578	370	1,452	941
1931	52.7	37.9	424	305	1,067	767

The story of the rapid growth of wealth in the United States becomes even more impressive when compared with the record of other countries, as may be seen from the following table:

*In Billion Dollars*

	1922	1912	1890	1870
United States .....	320.8	186.2	65.0	30.0
United Kingdom .....	88.8	79.2	53.3	40.0
France .....	67.7	57.0	43.7	33.0
Germany .....	35.7	77.7	49.5	38.0
Italy .....	25.9	23.0	9.7	7.3
Spain .....	29.3		11.1	10.5
Russia .....		56.1	28.2	13.6
Canada .....	22.0	10.9	4.7	2.8

A more detailed examination of the evidence reveals many significant aspects of wealth and income in this country. The total amount of savings\* on deposit at various periods was as follows:<sup>11</sup>

Year	All Banks		Mutual Savings Banks	
	Amount	Number of Depositors	Amount	Number of Depositors
1911.....	\$ 7,963,000,000		\$ 3,459,000,000	7,691,000
1920.....	15,189,000,000		5,058,000,000	9,079,000
1926.....	24,696,000,000	46,762,000	7,525,000,000	10,950,000
1931.....	28,215,000,000	51,399,000	10,034,000,000	12,544,000

\* "The definition of 'savings' used by the American Bankers Association is so all-inclusive that it comprises items representing 93 percent of all time deposits . . ." Abraham Epstein, *Insecurity*, p. 105.

The volume of ordinary life insurance in force in the United States at selected periods was as follows: <sup>12</sup>

<i>Year</i>	<i>Number of Policies</i>	<i>Total Amount of Insurance</i>
1850.....	29,000	\$ 69,000,000
1880.....	686,000	1,582,000,000
1890.....	1,320,000	3,621,000,000
1900.....	3,176,000	7,093,000,000
1910.....	6,964,000	13,227,000,000
1920.....	16,695,000	35,092,000,000
1930.....	32,776,000	89,661,000,000

In 1930 there were in addition 89,436,000 (this is not a misprint) industrial policies totaling \$18,287,000,000—bringing the grand total of life insurance in force up to \$107,948,000,000.

The total known savings of the American people in 1930 reached the stupendous sum of 56 billion dollars. The figures for various years follow: <sup>13</sup>

*In Million Dollars*

<i>Year</i>	<i>Total Savings Deposits in Banks and Trust Companies</i>	<i>Admitted Assets of Life Insurance Companies</i>	<i>Building and Loan Association Assets</i>	<i>Total Accountable Savings</i>
1910.....	6,835	3,876	946	11,657
1915.....	8,807	5,190	1,484	15,481
1920.....	15,314	7,320	2,520	25,154
1925.....	23,134	11,538	5,509	40,181
1930.....	28,485	18,880	8,824	56,189

The evidence is conclusive that under American capitalism, national wealth and income have climbed to unprecedented heights. How has this money been divided among the various groups of the population? In a subsequent section, I shall present data showing the tragic extent of privation and poverty throughout the entire history of this nation. But the record reveals unmistakably the double fact that the rich of this land have been richer than the privileged class of any other country, and that the size of this group is much larger than elsewhere.

Approximately accurate information as to the extent of great wealth is furnished by the income tax returns, although due allowance must be made for the widespread tendency, particularly on the part of persons in the higher brackets, to evade tax payments by various devices known to their attorneys. Moreover, the wealthier class invests heavily in tax-exempt securities and thereby reduces its income tax payments. With these qualifications in mind, the following figures are revealing:<sup>14</sup>

*Number of Income Tax Returns*

<i>Income Class</i>	<i>1924</i>	<i>1925</i>	<i>1926</i>	<i>1927</i>
\$5,000 to \$10,000.....	437,330	503,652	560,549	567,700
\$10,000 to \$25,000.....	191,216	236,779	246,730	252,079
\$25,000 to \$50,000.....	47,061	59,721	57,487	60,123
\$50,000 to \$100,000.....	15,816	20,958	20,520	22,573
\$100,000 to \$150,000.....	3,065	4,759	4,724	5,261
\$150,000 to \$300,000.....	1,876	3,223	3,267	3,873
\$300,000 to \$500,000.....	457	892	892	1,141
\$500,000 to \$1,000,000.....	242	479	468	557
\$1,000,000 and over.....	75	207	231	290

<i>Income Class</i>	<i>1928</i>	<i>1929</i>	<i>1930</i>	<i>1931</i>
\$5,000 to \$10,000.....	628,766	658,039	550,977	385,837
\$10,000 to \$25,000.....	270,889	271,454	198,762	135,606
\$25,000 to \$50,000.....	68,048	63,689	40,845	23,878
\$50,000 to \$100,000.....	27,207	24,073	13,645	7,657
\$100,000 to \$150,000.....	7,049	6,376	3,111	1,622
\$150,000 to \$300,000.....	5,678	5,310	2,071	1,038
\$300,000 to \$500,000.....	1,756	1,641	552	261
\$500,000 to \$1,000,000.....	983	976	318	146
\$1,000,000 and over.....	511	513	150	75

Thus we see that in the banner year 1929 the number of incomes as high as \$5,000 was 1,032,071; the number above \$25,000 was 102,578; the number in excess of \$50,000 was 38,889; the number over 100,000 was 14,816; and the number above one million was 513. These figures cannot be paralleled in any country in all history.

The resources of the United States have been so vast and the productivity of industry so amazing that privileges on an unequaled scale have been made available to millions of people. Subsequently

we shall consider the extent of poverty and misery, but the evidence permits no doubt that the standard of privilege in this country has been relatively high. Consider education, for example. In 1930 more than two billion dollars were expended on public elementary and secondary education, an average of 63 cents per day of school attendance for the more than 25 million pupils enrolled.<sup>15</sup> More than four million American boys and girls are attending public high schools, and approximately one million young men and women are enrolled in colleges and universities.<sup>16</sup>

More than 14 million families in the United States own their homes, according to the 1930 census figures, and more than half of these were free from mortgage.<sup>17</sup> Of the 10,503,386 non-farm homes, the more costly ones were divided by classes as follows:<sup>18</sup>

<i>Value</i>	<i>Number</i>
\$5,000 to \$7,499.....	2,297,029
\$7,500 to \$9,999.....	989,468
\$10,000 to \$14,999.....	906,557
\$15,000 to \$19,999.....	339,535
\$20,000 and over.....	354,337

It is thus evident that in 1930 there were 4,886,926 American homes valued at \$5,000 or more, and 1,600,429 valued at \$10,000 or above.

The higher rentals paid by persons not owning their homes are divided by classes as follows:<sup>19</sup>

<i>Monthly Rental</i>	<i>Number</i>
\$100 to \$149.....	163,292
\$150 to \$199.....	46,297
\$200 and above.....	45,750

These figures show that in 1930 the number of persons living in higher priced homes and apartments exceeded 250,000.

The proportion of the people owning automobiles is incomparably higher in the United States than anywhere else in the world. At the end of 1931 the total registration of passenger cars was above 22 millions, almost one for every family in the entire country, and the production of new motor cars averages from two to five millions per year.<sup>20</sup> Even during the tragic year 1931, the number of expensive cars sold, valued at \$3,000 and over, was 12,000, while the number in the class \$2,000 and above reached 52,000. In the eleven years beginning in 1921 a total of 350,000 three-thousand-dollars-

and-above cars were sold in the United States.<sup>21</sup> And in order to facilitate the use of automobiles and other means of transportation, more than three million miles of roads have been built, including 693,559 miles of surfaced roads and highways.<sup>22</sup> The various State governments and the Federal government in 1930 expended nearly two billion dollars upon highways and roads.<sup>22</sup>

The American people during the past decade have spent from six to 10 billion dollars per year on luxuries of various kinds. The following table was prepared by experts of *The Business Week*, one of the authoritative spokesmen of commerce and industry.<sup>23</sup>

*Personal Expenditures of American Consumers*  
(In Millions of Dollars)

	1921	1924	1927	1928	1929	1930
Smoking .....	1,643	1,694	1,860	1,920	1,980	1,964
Drinks and Narcotics.....	1,460	1,672	2,374	2,425	2,734	2,325
Jewelry and Gadgets.....	553	763	815	828	911	450
Personal Adornment .....	669	903	1,127	1,287	1,337	1,075
Confectionery and Chewing Gum...	526	615	670	667	666	353
Correspondence and Communication.	650	787	902	935	974	961
Care of Clothing.....	392	455	670	764	831	946
Leather Goods and Luggage.....	137	184	219	233	254	134
Miscellaneous .....	580	663	753	772	810	695
GRAND TOTAL .....	6,610	7,736	9,390	9,831	10,497	8,903

In 1932 tourists from the United States spent approximately 446 million dollars in foreign lands, as compared with 821 millions in 1929 at the peak of prosperity.<sup>24</sup>

The degree of luxury enjoyed by the richest one hundred thousand families in this country has never been paralleled in a similar group anywhere else. In January, 1929, a writer in the *North American Review* estimated that 2,000 millionaires lived on Park Avenue, New York City, and that their annual expenditures averaged \$84,000 per family. "Amusements, art galleries, music, automobiles, yachts and travel will cost \$18,000 a family, or \$90,000,000 for the Avenue. An additional \$145,000,000 will pay for such exquisitries as perfume, flowers, charity, beauty shops, liquor and debutante daughters . . . At one party there were 500 guests; and among those present were Champagne, Burgundy and Scotch. The



Scotch, good, cost \$100 a case; the Champagne, \$110. The liqueur bill for the evening was \$5,000 . . . A party celebrating a young lady's engagement cost her father some \$50,000 . . . The gold braid guard of the palatinate—the footmen, doormen, liveried chauffeurs, butlers, French maids and governesses who make the Avenue even more resplendent—is large enough to form the nucleus of an army division. Before its master it bends the knee with an experienced skill that is almost delicate, but for the lackeys of other streets it has only fleeing contempt.”<sup>25</sup>

A New York mother complained to the Surrogate in February 1933, that she simply could not support her nine-year-old daughter on the \$3,000 per month provided for in the will of the child's grandfather, and begged to have the allowance increased. Some time ago *Harper's Bazaar* ran a series of articles pointing out the difficulties involved in conducting a home on a pittance of \$250,000 per year. Fortunately, however, the mink coat purchased for \$5,000 would survive more than one season.<sup>26</sup> The wife of a widely known patriot appeared at a costume ball as “the Golden Eagle . . . Her costume, a huge affair, was of cloth of gold. Fully 400 eagle feathers, encrusted with gold leaf, were used to make the wings, which measured fifteen feet from tip to tip. The bird's head, body and tail feathers were embroidered with amber stones.”<sup>27</sup> An Omaha manufacturer imported an Italian automobile for \$16,000. Vincent Astor owns a \$600,000 yacht, but his pleasure-craft is made to look insignificant by the side of J. P. Morgan's *Corsair*, which cost the Wall Street banker \$3,000,000.

In describing the luxury of “the gilded age” the Beards wrote: “At a dinner eaten on horseback, the favorite steed was fed flowers and champagne; to a small black and tan dog wearing a diamond collar worth \$15,000 a lavish banquet was tendered; at one function, the cigarettes were wrapped in hundred dollar bills; at another, fine black pearls were given to the diners in their oysters; at a third, an elaborate feast was served to boon companions in a mine from which came the fortune of the host . . . Diamonds were set in teeth; a private carriage and personal valet were provided for a pet monkey; dogs were tied with ribbons to the back seats of Victorias and driven out in the park for airings; a necklace costing \$600,000 was purchased for a daughter of Cræsus; \$65,000 was spent for a dressing table, \$75,000 for a pair of opera glasses.”<sup>28</sup>

In a shopping tour along Fifth Avenue, New York City, Mr. F. W. O'Malley noted the following prices:

Street Shoes .....	\$	65 a pair
Small Dress Hat.....		100 to 175
Bath Negligee .....		250
Tea Gown .....		300
Cigarette Holder .....		125 to 350
Lorgnette .....		500 to 1,000
Ultra Smart Evening Gown.....		5,000
Russian Sable .....		12,000 to 40,000
Matched Russian Sable.....		62,000 to 120,000
Strings of Pearl.....		150,000 and up

The *New York Times*, on August 21, 1927, contained a full-page rotogravure advertisement of "a mountain and lake estate" of 6,000 acres. The sale price was not listed, but notice was given that "no prospective purchaser will be considered who is not a man of wealth and high standing and repute. This estate will not be of interest to those who are looking for a bargain." George J. Gould's home at Lakewood contains 110 sleeping suites. The William Rockefeller hunting estate in the Adirondacks embraces 53,000 acres.<sup>30</sup> Pocantico Hills, the famous John D. Rockefeller estate, and adjoining Rockefeller property, covers five square miles, and the mansion is estimated to have cost \$3,000,000.<sup>31</sup> Mr. John D. Rockefeller, Jr., in 1926 built a playhouse for his children at a cost of half a million dollars.<sup>32</sup>

## 2. Poverty and Misery

The masses of people in the United States have always been poor. In spite of the fertility of the soil, the vast extent and variety of the country's natural resources, and the amazing productiveness of modern machinery, only a small percentage of our population has ever been able to accumulate wealth and live in luxury. In the successive decades poverty and want have been the fate of a large proportion of our citizens.

Indeed, a more sweeping generalization is warranted by the evidence. Poverty has usually embraced a vast majority of the human race, in every age and in every land. The poor have been so universally and continuously present that until recently poverty has been considered inevitable, if not actually desirable. "Every one but an idiot knows that the lower classes must be kept poor or they will never be industrious," long ago exclaimed Arthur Young.<sup>33</sup> "Every State is supported by the poverty of the community composing the body

politic," wrote Dr. Patrick Colquhoun, one of the most influential of the British economists in the early part of the 19th century "Without a large proportion of poverty there could be no riches, since riches are the offspring of labour, while labour can result only from a state of poverty. . . . Poverty is therefore a most necessary and indispensable ingredient in society, without which nations and communities could not exist in a state of civilisation." <sup>34</sup> Sir William Petty believed that the way "to render a people sober, temperate, and industrious is to render provisions dear so as to deprive them of any opportunity to be either idle or debauched." <sup>35</sup> The Reverend Josiah Tucker, Dean of Gloucester, was confident that "if the price of labour is continually beat down, it is greatly for the public good." <sup>36</sup> The privileged and prosperous few have always found it easy to accept the poverty of the masses and to consider it unavoidable or the result of deficiencies in character. Occasional twinges of conscience over the sufferings of the unfortunate have usually been removed by acts of charity, and no adequate effort has been put forth to abolish poverty itself.

Although the system of individualism in the United States has flourished under the most favorable circumstances possible, it has failed to provide the physical basis of the good life for the rank and file of the people. The evidence on this point is cumulatively overwhelming. Let us begin with an examination of the data for 1929, the high-peak year of prosperity. In that year inhabitants of this country were compelled by law to file an income tax return if, as a single person, an income of \$1,500 were received, or \$3,500 as head of a family. The number of returns filed in 1929 was 4,044,327. This is less than 6 percent of the 75 million persons in the United States who had reached the age of 20. <sup>37</sup> And not all these paid a tax. Due to various exemptions, only 2,458,049 paid an income tax, which means that less than four adults out of a hundred came within the category of income-tax payers.

Impressive testimony is revealed by an examination of the amounts of income tax paid respectively by the different groups. *In 1929 nearly 93 percent of the total Federal receipts from income tax came from less than 3 percent of income-tax payers*, that is from the 102,578 persons who reported incomes as high as \$25,000 for the year. In that period the proportion of the tax which was paid by persons with incomes under \$5,000 was less than one-half of one percent. In 1930 persons with incomes above \$25,000 paid nearly

84 percent of the total received from the income tax, while those with incomes below \$5,000 paid 2 percent. In 1931, 79 percent of the tax was paid by persons with incomes above \$25,000, and 3 percent by those with less than \$5,000 income.<sup>38</sup>

Or consider the figures for 1923 when, due to the lowering of the level to \$1,000 for a single person and \$2,000 for the head of a family, the largest number of returns was received. The number who filed returns was 7,698,321, and the total paying a tax was 4,270,121. Thus it is apparent that even in this maximum year only six adults out of a hundred received incomes high enough to bring them up to the income-tax level.<sup>39</sup>

Supporting evidence is found in the number of families living in low-rent houses and tenements. The U. S. census figures for 1930 reveal the following conditions:<sup>40</sup>

<i>Monthly Rental Value</i>	<i>Number of Families</i>
Under \$10.....	1,563,952
\$10 to \$14.....	1,330,927
\$15 to \$19.....	1,302,387
\$20 to \$29.....	2,545,208

Thus it is apparent that in 1930, a year of high rents, 4,197,266 families, embracing 16 to 20 million individuals, paid less than \$20 monthly rental, and that 6,742,474 families paid less than \$30 per month.

A study of wages leads to the same result. The data make it impossible to avoid the conclusion that a vast number of American workers do not receive enough income to enable them to maintain their families in decency and comfort. The National Bureau of Economic Research, a scientific agency of the highest rank, has recently published a bulletin on "Wages During the Depression" which shows comparative figures of average per-capita weekly earnings in various industries, as follows:<sup>41</sup>

<i>Industry</i>	<i>1929</i>	<i>1932</i>
Manufacturing .....	\$27.36	\$18.18
Bituminous Coal .....	25.00	13.78
Anthracite Coal .....	30.85	24.86
Metalliferous Mining .....	30.12	18.63
Public Utilities .....	29.56	28.58
Trade, Retail and Wholesale.....	25.10	21.95
Class I Railroads.....	32.62	27.15

It is obvious from these figures that the highest average rate in the banner year 1929 was only \$1,696.24 per year, which means that half of the workers on the railroads, even if they did not miss a single day during the year, fell below this amount. The full-time average earnings in 1929 in the bituminous coal industry were only \$1,300. In the highest paid industry listed above the average in 1932 was only \$1,486.16, while the lowest average was \$716.56 per year, if no time whatever was lost. The conclusion is inescapable that even in 1929 the average earnings in the highest paid group were inadequate for the support of a family in meager comfort, and that in 1932 the average was reduced to a hunger level.

The National Industrial Conference Board, a representative agency of industrialists, issued a chart showing comparative wages of unskilled male labor in manufacturing industries in the year 1926 and the month of May, 1933, as follows: <sup>42</sup>

<i>Industry</i>	<i>Average Weekly Earnings</i>	
	<i>May, 1933</i>	<i>1926</i>
Agricultural Implement .....	\$13.01	\$24.38
Automobile .....	20.24	26.65
Boot and Shoe.....	14.15	18.55
Chemical .....	17.98	27.72
Cotton, North .....	14.30	19.34
Electrical Mfg. ....	14.25	22.68
Furniture .....	8.94	21.70
Hosiery and Knit Goods.....	13.43	18.37
Iron and Steel.....	13.41	27.15
Leather Tanning .....	13.04	22.90
Lumber and Millwork.....	11.89	18.49
Meat Packing .....	17.94	22.87
Paint and Varnish.....	16.49	22.12
Paper and Pulp.....	14.14	23.16
Paper Products .....	19.02	24.08
Printing, Book and Job.....	18.54	23.10
Printing, News and Magazine.....	16.57	21.72
Rubber .....	14.86	26.88
Silk .....	19.29	24.44
Wool .....	14.96	20.68
Foundries and Machine Shops.....	13.55	24.49
All Industries .....	14.42	23.22

In February, 1933, the National Consumers' League was compelled to abandon its white list of candy manufacturers because no manufacturers were paying the minimum of \$14 per week required by the white list. That is to say, the minimum rate in the candy industry was below \$728 per year. In the same month, Miss Frances Perkins, soon to become United States Secretary of Labor, compiled evidence of appalling conditions in the clothing industry. "The Monthly Bulletin of the Pennsylvania Department of Labor and Industry reports the payment of wages as low as \$3 for a 51-hour week in some small shops. In a 'runaway' contract shop that had moved from New York City to New Haven, Connecticut, the U. S. Women's Bureau found median earnings between \$4 and \$5 for a full week's work." Mr. John T. Flynn has published in the *Forum* certain results of a study of wages in 1933: cotton mill employees in Alabama at \$1.44 for a 12-hour day, Arkansas lumber workers at 10 cents an hour, Georgia road workers at 10 to 30 cents per hour, Chicago packing house employees at \$3 per week, New Jersey chain store clerks at \$12 for 58 hours, New York stokers at \$10 per week. On a basis of this evidence, Mr. Flynn concludes: "The simple yet alarming truth is that our whole system of wages is crumbling." <sup>43</sup>

An even more alarming truth is that throughout our history as a nation wages for a large proportion of the workers have been tragically low. For the period from 1890 to 1926 the story has been told in a monumental volume by Professor Paul H. Douglas, of the University of Chicago, from which the following table is taken: <sup>44</sup>

*Average Full-Time Weekly Earnings in  
Certain Manufacturing Industries*

<i>Year</i>	<i>Cotton</i>	<i>Boots and Shoes</i>	<i>Clothing</i>	<i>Hosiery and Knit Goods</i>	<i>Woolens</i>	<i>Saw Mills</i>	<i>Iron and Steel</i>
1890.....	6.07	9.95	7.97	6.93	7.26	9.78	15.39
1895.....	5.85	10.17	7.95	6.75	6.89	8.97	14.03
1900.....	6.42	10.40	8.38	6.06	8.01	9.60	15.87
1905.....	6.85	11.65	9.46	7.65	8.37	10.65	16.54
1910.....	7.81	12.40	10.32	8.35	9.05	11.72	18.01
1915.....	8.97	12.96	13.00	9.94	10.10	11.25	19.45
1920.....	24.86	27.17	32.25	20.99	30.33	25.07	47.01
1926.....	17.48	25.87	33.23	22.67	24.21	20.97	34.65

<i>Slaughtering and Meat Packing</i>	<i>Group</i>
\$10.46.....	9.27
9.44.....	8.78
9.86.....	9.44
10.56.....	10.26
11.04.....	11.24
12.48.....	12.34
22.13.....	30.01
24.53.....	25.47

Mr. Ralph G. Hurlin, of the Russell Sage Foundation, has prepared the following table of earnings of common labor at various periods: <sup>45</sup>

*Average Weekly Earnings for Unskilled Labor*

1890.....	\$ 8.82
1895.	8.70
1900.	8.94
1905.	9.78
1910.	10.68
1915.	11.94
1920.	25.50
1926.	23.21

All the above figures should be interpreted in the light of the fact that they are *average* earnings, and that half of the workers fell below these tragically low figures. Moreover, their significance can be grasped only in the light of the cost of living at various periods. Numerous estimates of the minimum required to enable a family to live in health and decency have been prepared by the United States Government and by various social agencies. Mr. Abraham Epstein has compiled the following table: <sup>46</sup>

*Estimate of Weekly Budgets for a Standard of Health and  
Decency for a Family of Five*

<i>By Whom Estimated</i>	<i>Place and Group</i>	<i>Weekly Cost</i>
	<i>1920</i>	
U. S. Bureau of Labor Statistics	Pennsylvania coal field.....	\$40.62
U. S. Bureau of Labor Statistics	Central coal field.....	40.21
U. S. Dept. of Agriculture	Kentucky .....	34.63
Nat'l Industrial Conf. Board	2 New Jersey cities.....	30.97
Nat'l Industrial Conf. Board	Worcester & Lawrence, Mass.	34.00

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## *Estimate of Weekly Budgets for a Standard of Health and Decency for a Family of Five—Continued*

<i>By Whom Estimated</i>	<i>Place and Group</i>	
	<i>1920</i>	
Nat'l Industrial Conf. Board	Cincinnati .....	32.00
Nat'l Industrial Conf. Board	3 towns, South Carolina.....	26.96
Council of Social Agencies	Chicago .....	32.00
Prof. Wm. F. Ogburn	Bituminous mining towns.....	43.16
	<i>1921</i>	
U. S. Bureau of Labor Statistics	Chicago family .....	47.09
N. Y. City Bureau Munic. Research	New York City clerical worker.	43.53
Calif. Civil Service Committee	California laborer's family.....	39.41
Nat'l Industrial Conf. Board	Detroit family .....	32.00
Labor Bureau, Inc.	5 cities .....	44.30
Beyer	Philadelphia family .....	35.00
Large Manufacturing Company	Racine, Wisconsin .....	28.37
	<i>1922</i>	
U. S. Bureau of Labor Statistics	12 mining towns.....	32.60
Nat'l Industrial Conf. Board	Anthracite miners, Penn..	25.00
Labor Bureau, Inc.	5 cities .....	46.34
	<i>1923</i>	
U. S. Postmaster, Boston	Boston postal employees.	46.85
Phila. Bur. Munic. Research	Philadelphia .....	35.66
Labor Bureau, Inc.	3 cities .....	42.90
	<i>1924</i>	
U. S. Bur. of Agric. Econ.	Farm families in Alabama.	30.46
Prof. Jessie M. Short	Portland, Oregon .....	33.50
	<i>1926</i>	
U. S. Bureau of Labor Statistics	New York City.....	40.00
Nat'l Industrial Conf. Board	New York City (industrial work.)	36.16
Nat'l Industrial Conf. Board	New York City (office workers)....	40.75
Visit. Housekeepers' Ass'n	Detroit .....	38.67
	<i>1927</i>	
Nat'l Industrial Conf. Board	New York State (family of four).	31.60
Nat'l Industrial Conf. Board	Penn. (family of four).....	30.22
Nat'l Industrial Conf. Board	Mass. (family of four).....	29.84
Nat'l Industrial Conf. Board	Ohio (family of four).....	29.08
Heller Committee	California wage-earner .....	37.58
	<i>1928</i>	
U. S. Bureau of Labor Statistics	Federal male employees—5 cities..	49.00
Labor Bureau, Inc.	10 cities .....	44.71
Leeds & Balderston	Philadelphia industrial work.....	38.17



*Estimate of Weekly Budgets for a Standard of Health and  
Decency for a Family of Five—Continued*

<i>By Whom Estimated</i>	<i>Place and Group</i>	
	<i>1929</i>	
Labor Bureau, Inc.	10 cities .....	44.8
Gee & Stauffer	Urban families in Virginia..	37.6
Leeds & Balderston	Philadelphia urban workers.	37.9
	<i>1930</i>	
U. S. Bureau of Labor Statistics	Ford employees .....	33.0
Labor Bureau, Inc.	10 cities .....	42.27
Leeds & Balderston	Philadelphia urban workers..	36.92
	<i>1931</i>	
Labor Bureau, Inc.	6 cities (June).....	40.70
Visit. Housekeepers' Ass'n	Detroit .....	33.52

These 44 estimated budgets may be classified as follows:

4.....	\$45 and above
12.....	40 to \$45
10.....	35 to 40
13.....	30 to 35
5.....	25 to 30

Let the reader now turn back and examine again the average incomes presented, remembering that 39 out of these 44 budgets require at least \$1,560 per year for a health and decency standard for a family of five.

The Commission on Industrial Relations, appointed by President Wilson, reported that in 1915 "between one-fourth and one-third of the male workers 18 years of age and over, in factories and mines, earn less than \$10 per week; from two-thirds to three-fourths earn less than \$15, and only about one-tenth earn more than \$20 a week. This does not take into consideration lost working time for any cause. . . . From two-thirds to three-fourths of the women workers in factories, stores, and laundries, and in industrial occupations generally, work at wages of less than \$8 a week. Approximately one-fifth earn less than \$4 and nearly one-half earn less than \$6 a week . . . two-thirds of those who toil from 8 to 12 hours a day receive less than enough to support themselves and their families in decency and comfort." <sup>47</sup>

In 1882 Theodore Roosevelt opposed a bill requiring the cities of New York and Buffalo to pay their laborers the "exorbitant wages of \$2.00 per day." The average earnings of Ohio miners in 1886 was \$239 per year.<sup>48</sup> Over 5,000 women in New York City and 9,000 in Chicago earned less than \$3 per week in 1887.<sup>49</sup>

The conditions of the workers just after the Civil War is thus described by Professor Nevins: ". . . in New York the drivers of horse cars and stages labored, in blazing heat or biting cold, twelve or even sixteen hours a day for two dollars, while hotel or livery drivers toiled an equal period for from ten dollars and fifty cents to twelve dollars a week. The lot of women employees was often bitterly hard. When peace came, New York had not less than fifteen thousand working women whose weekly pittance did not rise above three dollars and fifty cents or four dollars. . . . Girls in the dry-goods stores of the great Eastern cities, where civilization was proudest of its achievements, toiled from seven thirty in the morning till the closing hour of nine or ten, without seats, without rest rooms or facilities for a quiet lunch, without more consideration than dumb animals received; and for this health-ruining drudgery many were paid five dollars a week."<sup>50</sup>

New York printers averaged \$7 per week in 1851, and in the best paid shops the rate was \$12.50 per week for 16 hours per day. The highest wage paid to Boston printers in 1849 approximated \$480 per year.<sup>51</sup> In 1836 certain shoemakers of Philadelphia went on strike for an increase in wages, from \$5.04 to \$5.64 per week, explaining that the prevailing wage "instead of being sufficient to procure for him and his family a moiety of life's necessities and comforts, will render their circumstances as bare as the leafless trees of winter."<sup>52</sup> About 1830 it was estimated by Mathew Carey, an outstanding economist, that the city laborer averaged about 75 cents per day when employed, although rates of \$1.00 and \$1.25 were not unknown.<sup>53</sup> This same authority made the following estimate of the living standard of a worker who was sufficiently fortunate to be employed for 44 weeks out of the year:<sup>54</sup>

44 weeks wages, at \$4.50.....		\$198.00
Shoes and clothing for self and wife.....	\$ 24.00	
For two children at \$8 each.....	16.00	
Rent, 50 cents per week.....	26.00	
Soap, candles, etc., at 8 cents per week.....	4.16	
Fuel, at 15 cents per week.....	7.80	
Bread, meat, drink, vegetables, etc., for self, wife, and two children, at 8 cents per day.....	116.68	194.64

About that time laborers on canals and turnpikes averaged from \$10 to \$12 per month "and found."<sup>55</sup>

Mathew Carey estimated that, in 1833 "taking as a basis the highest wages paid outside of charitable institutions and passing over possible unemployment, sickness, and lack of employment, a woman without children could earn \$58.50 per annum, but women with children and working at the average rate could earn no more than \$36.40 per annum."<sup>56</sup> In Philadelphia, New York, Boston and Baltimore there were some 20,000 working women, of whom at least 12,000 could not earn more than \$1.25 per week by constant employment for 16 hours daily.<sup>57</sup>

Thus it is evident that if we dip down into the cesspool of wages in any period of American history, in the lower depths our bucket is quickly covered with nauseating slime. Side by side all the way have marched privilege and privation, wealth and poverty. In a land of priceless natural resources and peopled by a race of sturdy pioneers, destitution has always abounded. So far as the mass of workers is concerned, there were no "good old days."

Professor Paul H. Nystrom has estimated that in 1927 the numbers of persons in the various economic classes in the United States were as follows:<sup>58</sup>

	<i>Approximate Population of Group</i>	<i>Total</i>	<i>Per Cent of Total Pop- ulation</i>	<i>Total</i>
Public charges .....	1,000,000		0.8	
Tramps, work-shy, etc.....	2,000,000		1.7	
Poverty level .....	7,000,000		5.9	
Bare subsistence .....	12,000,000	22,000,000	10.1	18.5
Minimum for health and decency....	20,000,000		16.8	
Minimum comfort .....	30,000,000		25.2	
Comfort .....	20,000,000		16.8	
Moderately well-to-do .....	15,000,000	85,000,000	12.6	71.4
Well-to-do .....	10,000,000		8.4	
Liberal standards of living.....	2,000,000	12,000,000	1.7	10.1
		119,000,000		100.0

These figures, let it be emphasized, are for 1927, one of the most prosperous years in American history. In more normal periods a considerable proportion of the persons listed above as being in the

minimum-for-health-and-decency class are plunged into the sea of destitution. And so the conclusion is unavoidable that, except in years of unusual prosperity, from one-fourth to one-third of the American people have always been subjected to the demoralizing effects of acute poverty, and that another quarter of the population has hovered only a few weeks away from the brink of misery.

### 3. *Graft, Corruption, and Manipulation*

That graft and corruption would be enormously increased under socialism is a basic conviction of innumerable upholders of the present economic order. Yet these same individuals are inclined to minimize the extent and significance of dishonesty and bribery within the capitalist business-world, although a colossal mass of evidence leaves no room for doubt that there has always been more graft and corruption in American industry and commerce than in American government. Grafting politicians appear as impotent as dwarfs when put side by side with giant malefactors of the financial and industrial world. Insull and Kreuger were merely senior officers in a huge army of business men who resort to trickery and fraud.

Let us begin with the present decade and work backward through the record of shady dealings. Fortunately, much evidence has recently been assembled by John T. Flynn in his illuminating volume, *Graft in Business*. The practice of bribing purchasing agents, or other representatives of customers, is extremely widespread. It was not a radical agitator, but officers of the National Association of Purchasing Agents, the Association of National Advertisers, the National Association of Credit Men, the Associated Advertising Clubs of the World, the American Society of Sales Executives and a number of other national business organizations who denounced commercial graft in a collective document: "It is a festering sore in the commercial body of the nation; its extinction calls for a drastic use of the knife. If allowed to proceed unchecked and uncontrolled, it destroys legitimate competition. . . . We have been too ready to ascribe the prevalence of this practice to foreign influences; it is perilously near a national fault with us. There are few branches of American business which are not honey-combed by its corroding influence." <sup>59</sup>

*The Rotarian*, organ of the movement based on the policy "he profits most who serves best," warned: "That this question of com-

mercial bribery constitutes a serious problem to many business men cannot be denied. There is no use claiming, ostrich-like, that graft in business is a thing of the past.”<sup>60</sup> Mr. W. G. Adams, Managing Director of the National Council of the Traveling Salesmen’s Association, declares: “The crime of commercial bribery is one of the great evils in American business today. . . . There is an increasing disrespect of personal and business honesty on the part of our younger generation and a deplorable let-down of ethics on the part of a considerable number of our older generation.”<sup>61</sup> While *Commerce and Finance* asserts: “The secret giving of commissions or other things to employees of customers to induce them to buy or recommend the purchase of certain supplies has become a nation-wide system. . . . Waiving the moral issues involved—a fact few will dispute—a practice authoritatively estimated to take a BILLION DOLLARS A YEAR OUT OF THE CASH DRAWER OF BUSINESS Should Be Stamped Out for Strictly Business Reasons.”<sup>62</sup>

Supporting evidence to the extent of 300 pages is presented by Mr. Flynn, whose own conclusions are summarized in this fashion: “We think of graft as a form of dishonesty peculiar to political life. It is far more common, far more extensive, in business . . . the characteristic vice of business today is graft. . . . Graft of one kind or another permeates every level of business. It is found practiced in its cruder and more vulgar forms, and in its more refined, delicate and respectable technique. . . . The average politician is the merest amateur in the gentle art of graft compared with his brother in the field of business. . . . The records of the Federal Trade Commission reek with the accounts of bribery practiced on an extensive scale in innumerable lines of business.”<sup>63</sup>

As a preliminary to a discussion of the Kreuger and Insull cases, Edwin C. Hill, a conservative interpreter, wrote: “The American Scene, like the rest of the world, resounded in 1932 to the crash of a Temple of Gold. It was not only a temple of gold, it was a temple of fraud, deceit, and magnificently insolent trickery. It buried in its ruins millions of victims.”<sup>64</sup> Petty grafters in politics and in business are sputtering candles by the side of the incandescent brilliance of many lords of finance and captains of industry. Ivar Kreuger, the Swedish match king, in 14 years collected more than 760 million dollars from banks and investors, with subsequent losses to the victims of half a billion dollars.<sup>65</sup>

Through a complex series of corporations and holding companies,

Samuel Insull built up a vast empire of public utilities. By publishing misleading and false statements of profits, he beguiled hundreds of millions of dollars from the investing public. After this two-billion-dollar bubble had burst, Samuel, Jr., admitted that while the Insull Utility Investments Company had published in 1930 earnings of \$10,430,000, in that same year a net loss of \$6,493,000 was filed with the income-tax bureau.<sup>66</sup> Such practices as this, supplemented by unbounded optimism that prosperity was certain to continue and increase, led straight to the bankruptcy court, with the result that "more than 77,000 stockholders in two corporations he created have been completely wiped out. Ninety-eight thousand others, owners of shares in a third giant utility holding company, have been informed they have only a shadowy hope of getting back a fraction of the money they invested." Or, as phrased by another observer, "they have only a sentimental interest" in the report of the receivers.<sup>67</sup>

In an *Atlantic Monthly* article, N. R. Danielian summarizes the methods by which Insull defrauded the investing public of 700 million dollars—60 millions less than the Kreuger loot. "For years the rules of conservative corporate practices were disregarded," he writes; "careful accounting methods were forgotten; the canons of business ethics and moral precepts were trampled upon; and sometimes even the broad boundaries of legal tolerance were overstepped. This, however, was sheer carelessness. Insull committed his gravest mistakes within the limits allowed, or, more accurately, undefined, by law. . . . Consequently, Samuel and Martin Insull have been indicted by a grand jury, not for gross misrepresentation, not for questionable dealings with their corporations in their dual capacity as officers and private individuals, and not for having misappropriated tens of millions of capital funds to pay dividends and peg the stock market, but for having been careless enough to take from the companies only a few hundred thousand dollars! And this in spite of the fact that the total loss to the investors, all of which cannot be accredited to mere mistakes, will reach the staggering sum of nearly \$700,000,000."<sup>68</sup>

Mr. Sam Rayburn, chairman of the House Committee on Interstate and Foreign Commerce, in a long and detailed indictment of brokers and bankers on May 5, 1933, said: "P. T. Barnum once remarked that the American people pay to be gulled. Millions of citizens have been swindled into exchanging their savings for worthless stocks. The fraudulent promoter has taken an incredible toll from

confiding people. . . . These hired officials of our great corporations who permitted, who promoted, who achieved the extravagant expansion of the financial structure of their respective companies today present a pitiable spectacle. . . . Some of them are fugitives from justice in foreign lands; some of them have committed suicide; some of them are under indictment; some of them are in prison; all of them are in terror of the consequences of their own deeds.”<sup>69</sup>

The testimony of James M. Beck concerning business practices possesses exceptional significance because he is one of the most eminent corporation lawyers in the United States and one of the most conservative. On the floor of the House, in reply to a request for his opinion as to the number of honest financiers, Mr. Beck said: “I would not attempt to take a census, but if Diogenes, with his lamp, in his eternal quest for an honest man, had gone into Wall Street in those days, his search would not have been short or easy. (Laughter.) . . . I have seen, and any practicing lawyer I suppose has seen it, that a man who, in his private life will be scrupulously honest, yet as president of a corporation he will at times do things of an immoral character on the theory that he is only the trustee for the stockholders and is acting in their interests . . . the corporate life in this country is rotten to the core. (Applause.) . . . The losses have been in billions. . . .”<sup>70</sup>

So widespread and notorious were fraudulent business policies that President Roosevelt in his inaugural address felt impelled to say: “Practices of unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men. . . . Stripped of the lure of profit by which to induce our people to follow their false leadership, they have resorted to exhortations, pleading tearfully for restored confidence. They know only the rules of a generation of self-seekers. They have no vision, and when there is no vision the people perish. The money changers have fled from their high seats in the temple of our civilization.”<sup>71</sup>

A mountain-pile of detailed substantiating evidence may be found in the hearings before the Senate and House Committees on Banking and Currency, the *Congressional Record*, and in the record of various bankruptcy proceedings.<sup>72</sup> In April, 1933, the Senate Committee on Banking and Currency estimated that 25 billion dollars have been lost in the past 10 years by American investors in the purchase of worthless stock.<sup>73</sup>

Mr. Beck referred to the immoral practices of corporation presi-

dents in behalf of their stockholders. A huge volume would be required to record the story of corporation presidents and directors who have enriched themselves at the expense of their stockholders. A case in point is the deal consummated by Colonel Robert W. Stewart, Chairman of the Board of the Standard Oil Company of Indiana; Harry F. Sinclair, head of the Sinclair Consolidated Oil; Harry M. Blackmer of the Midwest Refining Company; and J. E. O'Neil of the Prairie Oil and Gas Company, whereby they created a fictitious Canadian corporation as an instrument of double dealing. These four men made a contract to purchase 33,333,333 barrels of oil from Colonel A. E. Humphreys at \$1.50 a barrel. Their fictitious corporation, the Continental Trading Company of Canada, was made the agency of the purchase. The Continental in turn sold this oil to the companies represented by the four officials—at \$1.75 a barrel. The potential profit to the four unfaithful servants of their companies was \$8,000,000, of which only \$3,080,000 actually flowed into their coffers—a mere \$750,000 for every member of the quartet. This unsavory transaction would never have come to light in all probability except for the accidental fact that Sinclair used \$230,500 of the Liberty bonds received from the Continental to rescue his dear friend Albert Fall, formerly United States Senator and later Secretary of the Interior, and still later an inmate of the Federal penitentiary. When called before the Senate committee of investigation, Colonel Stewart was caught in outright falsehoods. Yet the day afterward he declared that "he had received hundreds of congratulations from big business men." And when John D. Rockefeller, Jr., sought to oust him as head of the Standard of Indiana, he fought back and was thrown overboard only after a terrific struggle in which the full strength of the Rockefeller money and prestige was required. Indeed, a considerable majority of the stockholders voted to retain Stewart in office, although by this time the whole story had received nation-wide publicity, and only the superior voting power of the heavier investors who cooperated with Rockefeller turned the tide. Colonel Stewart was popular because he had paid huge dividends to Standard stockholders, and the latter considered dividends more important than an act of business immorality.<sup>74</sup>

Mr. B. F. Yoakum, chairman of the Frisco railroad, and a group of associates bought up other railway properties in the Southwest and sold to their own company at a profit of \$7,000,000.<sup>75</sup> Rigging the market by inside pools and manipulations is an every-day practice



by which the investing public is fleeced. The recent Senate investigation disclosed the fact that many of the leading citizens of the nation have been on secret favored lists of J. P. Morgan & Company, Kuhn, Loeb & Company, and other corporations floating new securities, which enabled them to purchase stock at a figure below the market price.

Dishonesty and fraud on the part of banking officials have been responsible for a large but unknown percentage of the more than 10,000 bank failures in this country since 1921. The following colloquy between John W. Pole, Comptroller of Currency of the United States, and Senator Robinson of Indiana, occurred before a Senate committee which was investigating the failure of the Harri-man National Bank: <sup>76</sup>

Mr. Pole: Defalcations are very common in the Comptroller's office. It is a routine matter.

Senator Robinson: Do you mean to say that defalcations by bank presidents are common?

Mr. Pole: Yes.

Senator Robinson: Well, if defalcations by bank presidents are common in the Comptroller's office then it is no wonder, is it, that the people have no confidence in banks?

Mr. Pole: No. . . .

Senator Robinson: It is a very startling statement to me that it is a common thing for bank presidents to steal.

Profits which legally belong to the stockholders are often diverted into the pockets of corporation officials. A conspicuous illustration is furnished by the officers of the American Tobacco Company. Before the Supreme Court of the United States, the following facts were brought out: "Mr. George Washington Hill, for his services to the company in 1930, received \$2.5 million. His salary for the year was \$168,000; 'special cash credit' added \$270,000; a cash bonus of \$840,000 brought the total to \$1,278,000; finally, stock allotments of 13,440 shares of common stock, class B, valued at the difference between the allotment price of \$25 a share and the market price of \$112, made up the grand total of \$2,447,280. Four of the five vice-presidents received \$700,000 in fixed salaries and special credits and \$1,830,000 in cash bonuses. Sixteen directors (including all the vice-presidents but not including the president) were recipients of \$1,646,910 worth of stock in addition to their salaries, special credits and cash bonuses." <sup>77</sup>

Another case is that of the officers of the Bethlehem Steel Company. Action in court disclosed the fact that in 1929 President Eugene Grace received a bonus of \$1,623,753, and that in the 13 years from 1918 to 1930 his bonuses averaged \$814,933 a year, although from 1925 to 1928 the stockholders did not receive a cent in dividends. In 1929, 21 officials of the company appropriated \$3,425,306 in bonuses.<sup>78</sup> If the reader with a strong stomach and who is not easily nauseated desires further details of the fleecing of stockholders by their paid employees, let him thumb through *Main Street and Wall Street*, by Professor Wm. Z. Ripley, or *Investment Trusts Gone Wrong!* by John T. Flynn, or a score of other volumes of disclosure.

The revelations of corruption and manipulation during the past decade can be matched in every previous period of American history, except in the magnitude of the sums involved. Many early American fortunes were due in part to fraud, bribery, and other corrupt practices. Prior to the Revolution, smuggling on a large scale was resorted to by leading colonists. One writer makes what is doubtless an excessive estimate that "probably nine-tenths of all the tea, wine, fruit, sugar and molasses consumed in the colonies were smuggled."<sup>79</sup> Immediately before the outbreak of hostilities, that prince of smugglers, John Hancock, "was respondent in the Admiralty Court, in suits of the crown, to recover nearly half a million dollars as penalties for smuggling."<sup>80</sup> In the early decades of the next century, John Jacob Astor in the course of his Far Eastern trade smuggled Smyrna opium into China, and justified his course upon the ground that "everyone else does it." Astor's outstanding biographer says that it was reported that only one American firm then doing business in China refrained from smuggling, and, "on account of this commercial squeamishness," it was rewarded by its rivals with the nickname of "Zion's Corner."<sup>81</sup>

Debasement of the currency and coin of the realm has been widely practiced. In the early days coins in circulation rarely remained whole. The practice of chipping was so prevalent that in 1782, when a shipment of specie was received from France, the government, knowing that it would soon be mutilated, decided to save the profit for itself and consequently chipped a portion before putting the coins into circulation.<sup>82</sup>

"Wild-cat" banking has been a source of enrichment to many. Reckless speculation and the extension of credit far beyond resources have been widely practiced. As early as 1795 Secretary of the Treas-

ury Wolcott complained to Alexander Hamilton: "Banks are multiplying like mushrooms. . . . These institutions have all been mismanaged. I look upon them with terror. They are at present the curse, and I fear will prove the ruin, of the government. Immense operations depend on a trifling capital, fluctuating between the coffers of the different banks." <sup>83</sup> In 1837 there were 788 banks with capital of \$291,000,000 and deposits of \$127,000,000. Yet these banks had outstanding loans and discounts amounting to \$525,000,000 and an average circulation of \$127,000,000. Moreover, "to these should be added an immense number of altered and counterfeit notes characteristic of a day when virtually every bank had its individual plates." <sup>84</sup> In 1850, as many as 3,800 different counterfeits were known, and "no bank could hope to do business without constant and minute examination of *Counterfeit Detectors*, a weekly pamphlet which gave the latest description of spurious notes." <sup>85</sup>

Many early corporations were empowered by their charters to exercise banking privileges and to issue bank bills. "The present generation," writes Noble Foster Hoggson, "can scarcely realize how general was the issuing of paper money by these early corporations. . . . The security behind many of them was entirely too feeble. There were many instances where a group of men who wanted to raise money for their own use would form a bank, agreeing to take a certain number of shares but paying for them with notes rather than cash. Their bank would thereupon issue an amount of bills sometimes twice as great as its total capitalization. Then the shareholders would present their shares to the bank, borrow money on them, and take up their notes. The net result was that the shareholders owned the bank without ever investing any cash, and half of the bills distributed by the bank would be without any backing whatever." <sup>86</sup>

Many property holders and financiers have throughout our history resorted to bribery and corruption on an extended scale. The validity of the tendency to throw a halo around our political fathers has been seriously questioned by many outstanding historians. "A very little study of long-forgotten politics," writes J. B. McMaster, "will suffice to show that in filibustering and gerrymandering, in stealing governorships and legislatures, in using force at the polls . . . in all the frauds and tricks that go to make up the worst form of practical politics, the men who founded our State and national governments were always our equals, and more often our masters." <sup>87</sup>

The coalition between bankers and politicians became so notorious that Millard Fillmore, afterward the thirteenth President of the United States, felt constrained to use strong language: "The practice of granting exclusive privileges to particular individuals invited competition for these legislative favors. They were soon regarded as part of the spoils belonging to the victorious party and were dealt out as rewards for partisan services. This practice became so shameless and corrupt that it could be endured no longer, and in 1838 the legislature sought a remedy in the general banking law."<sup>88</sup>

Every generation of Americans has witnessed an epidemic of bribery and political corruption by individualists seeking special privileges. A legislative commission in Wisconsin found that in 1856 the LaCrosse and Milwaukee Railroad Company had bribed, with \$800,000 in bonds, nearly the whole of the state legislature, the Governor and several newspaper editors, for the passage of an act giving that corporation a land grant of about a million acres.<sup>89</sup> In 1868 Jay Gould and his colleagues expended a million dollars in corrupting the New York State Legislature, and in addition had two Judges of the State Supreme Court on their payroll.<sup>90</sup> The Pacific Mail Steamship Company "had consecutively, from 1847, bribed Congress to get a large annual mail subsidy; in the year 1872 alone, so an investigating committee of Congress reported, it expended nearly \$1,000,000 in bribes to get an act passed by Congress giving it an additional mail subsidy of \$500,000 a year for ten years."<sup>91</sup>

During the period "when strong men with the instincts and daring of pirates and buccaneers were amassing fortunes by hook or crook, to the admiring applause of the multitude," there occurred the notorious *Crédit Mobilier* scandal. The *Crédit Mobilier* was a Pennsylvania corporation based upon a French model, formed for the purpose of building the Union Pacific Railway. The total construction costs to the contractors approximated 43 million dollars, whereas the railroad company paid just over 93 millions for the same construction charges—merely a difference of 50 millions!<sup>92</sup> Of this amount, "the loot netted \$23,374,914.81 to the profit of *Crédit Mobilier*." Congressional committees disclosed the fact that Oakes Ames, an influential member of the House, had at his disposal a quantity of stock to distribute among strategic members of Congress. The investigation produced "startling disclosures involving the Vice-President, the Vice-President-elect, the chairmen of the most important committees of the House, party leaders such as Patterson, Dawes,

Boutwell, Garfield, 'Pig Iron' Kelly, Bingham, Allison, Wilson of Iowa, Scofield, and Brooks, the floor leader of the Democrats in the House. . . . Awed by the dreadful possibilities, and the significance of it all, real patriots trembled for the honor of the nation." <sup>93</sup>

Concerning the situation in the early 1870's, Claude G. Bowers has written: "The lobby was more than ever open and insolent, that of the railroads, under the vigorous eye of Tom Scott, the most brazen and defiant of all. A correspondent suggested that Congress permanently adjourn with an explanatory placard on the door: 'The business of this establishment will be done hereafter in the office of the Pennsylvania Railroad.' Indeed, several of its attorneys were in Congress, and not a few press correspondents on its payroll." <sup>94</sup>

During that decade a vigorous battle was fought between the Texas Pacific and the combination of Southern Pacific and Central Pacific for dominance in California. Both sides sought legislation at Washington and bribe money flowed freely. Collis P. Huntington at one time wrote: "I believe with \$200,000 we can pass our bill. . . . The T. and P. folks are working hard on their bill. . . . They offered one member of Congress \$1,000 cash down, \$5,000 when the bill was passed, and \$10,000 of the bonds when they got them if he would vote for the bill." The Pacific Railroad Commission reported: "It is impossible to read the evidence of C. P. Huntington and Leland Stanford and the Colton letters without reaching the conclusion that very large sums of money have been improperly used in connection with legislation." <sup>95</sup>

At the time of the Whiskey Ring scandal of that period, Avery, the chief clerk of the United States Treasury, "was on a regular salary from the thieves," while Babcock, private secretary to the President, received a gift of "a twenty-four-hundred-dollar diamond shirt stud"—which he returned because of a flaw and received in return an even more expensive gem! <sup>96</sup>

Senator Hoar in 1876, after one term in office, voiced the following indictment: "I have seen five judges of a high court of the United States driven from office by threats of impeachment for corruption and maladministration. . . . I have seen in the state in the Union foremost in power and wealth four judges of her courts impeached for corruption, and the political administration of her chief city become a disgrace and a by-word throughout the world. . . . When the greatest railroad of the world, binding together the continent and uniting the two great seas which wash our shores, was finished, I

have seen our national triumph and exaltation turned to bitterness and shame by the unanimous reports of three committees of Congress—two of the House and one here—that every step of that mighty enterprise had been taken in fraud.”<sup>97</sup>

Included in the methods by which Cornelius Vanderbilt accumulated his fortune were these: “A matter of financial persuasion, of Legislatures mollified, and courts of justice subsidized, of intrigue and speculations in the pursuit of which he was simply the most conspicuous and terrifying exponent of his era—an era, Mr. Hendrick brands it, ‘of ruthlessness, of personal selfishness, of corruption, of disregard of private rights, of contempt for law and Legislatures, and yet of vast and beneficent achievement.’ An era during which Mr. Conkling observed of one of the Commodore’s lawyers that he was ‘the man that Vanderbilt sends to Albany every winter to say ‘haw’ and ‘gee’ to his cattle up there’—those honorable legislators of the period.”<sup>98</sup> Professor Faulkner says that Harriman, the railway magnate, was reported to have declared that “if he wanted state legislation he could buy it and, if necessary, he could buy Congress and the judiciary as well.”<sup>99</sup>

Various types of “unfair” competition have enabled many individualists to increase their wealth. The Rockefeller fortune, for example, was accumulated not merely because of the business genius of its founder and the control of natural resources, but also through such sharp practices as rebates, drawbacks, and forcing competitors to the wall by ruthless rate wars. Due to the volume of their business and the keenness of competition between railroads, the Standard Oil Company was able to force certain railroads secretly to grant rebates, sometimes as high as a dollar per barrel of crude oil, on all its shipments. More amazing still was its successful demand for drawbacks, that is, another dollar for each barrel shipped by its competitors.<sup>100</sup> In 1906, President Roosevelt transmitted to Congress a report from the Bureau of Corporations showing “that the Standard Oil Company has benefited enormously up almost to the present moment by secret rates. . . . This benefit amounts to at least three-quarters of a million a year.”<sup>101</sup>

In his effort to increase the degree of his control of the oil industry, Rockefeller frequently forced his competitors out of business by reason of preferential railway rates and by cutting prices so drastically that they were forced to the wall. His company could afford temporary losses in various regions because of increased profits that

resulted from the reduction of competition. An elaborate spy system enabled the Standard to keep intimately informed concerning opponents' operations. Within a period of four weeks, 21 of the 26 refiners in Cleveland sold out to Rockefeller.<sup>102</sup>

An indictment of the prevailing practices of railways by a Senate committee in 1886 contained 18 counts, including: unreasonably high local rates, especially at non-competing points; unjust discriminations between individuals, articles, and localities; secret rebates, drawbacks and concessions; secret cutting of rates and sudden fluctuations; refusal to be bound by their own contracts; the granting of passes and other special privileges; excessive capitalization and bonded indebtedness; extravagant and wasteful operation.<sup>103</sup>

On a notable occasion when Jay Gould controlled the Erie and Cornelius Vanderbilt dominated the New York Central, the rate on carloads of cattle from Buffalo to New York City shot down from \$125 to \$100 to \$75 to \$50 to \$25, until finally Vanderbilt issued an order to put the rate at one dollar! Whereupon, Gould bought up all the cattle in Buffalo and shipped them to New York City over his antagonist's road at one dollar per carload, thus reaping a substantial harvest! Competition with lake steamers forced the railroads to keep rates in that region within bounds, but in November as the ice ports were closed, railway rates were increased from one-third to two-thirds. Rate wars have been frequent in the tobacco trade. At the turn of this century American Beauty cigarettes sold for \$1.50 per thousand, less two percent for cash, when the revenue tax alone was \$1.50 per thousand.<sup>104</sup>

Twenty-seven officers of the National Cash Register Company were found guilty in 1913 on an indictment based on 14 charges, including: the bribing of employees of competitors to reveal trade and commercial secrets; the bribing of employees of express companies, truckmen, railways, telegraph and telephone companies to reveal useful information; inducing of customers of rivals to cancel orders; and harassing competitors by filing applications for patents previously secured by them.<sup>105</sup> The fact that this decision was later reversed by a superior court does not remove the stain from the corporation of having resorted to unethical practices.

In the first decade of the present century the great insurance companies reeked with corruption. Within six years the Mutual appropriated more than two million dollars with which to secure desired legislation. "The testimony taken by this committee," reported a

legislative committee of New York, "makes it clear that the large insurance companies systematically attempted to control legislation in this and other States, which could affect their interests directly or indirectly." <sup>106</sup>

One of the most notorious deals in American history occurred during the Harding administration when Secretary Fall was bribed by Harry F. Sinclair and Edward F. Doheny to lease them valuable government oil lands at Teapot Dome and Elk Hills. The Secretary of the Interior received \$260,000 from Sinclair and \$100,000 from Doheny, and was sentenced to a year in prison, while the chief villains escaped. The two oil leases were voided by the Supreme Court as "illegal and fraudulent." <sup>107</sup>

*In spite of this malodorous record of fraud, bribery, corruption, and relentless political pressure, individualists as a class have howled to high heaven against governmental restrictions upon their ability to plunder the public.* In the course of the hearings before the United States Industrial Commission, the following colloquy occurred:

Phillips: Do you believe that trusts should be put more specifically under government control than they are?

Henry O. Havemeyer, President of the Sugar Trust: Not at all, I think the government should have nothing to do with them in any way, shape or manner. . . . Let the buyer beware: that covers the whole business. . . . You cannot wet-nurse people from the time they are born until the time they die. They have got to wade in and get stuck, and that is the way men are educated and cultivated. . . . I say, hands off. <sup>108</sup>

Cornelius Vanderbilt was one of the most respectable and successful pirates this country has ever produced. His supreme contempt for governmental interference found expression in the famous exclamation: "Law? What do I care for law? Hain't I got the power?" <sup>109</sup> "The public be damned!" A recent writer says euphemistically that Vanderbilt exhibited "a certain majestic disregard of statutory hindrances." <sup>110</sup> Back in 1894 Charles P. Clark, President of the New Haven Railway, in the course of a conversation with C. W. Barron, blurted out: "What business is it of the public or the newspapers or the railroad commissioners if railroads make arrangements for traffic or connections that are mutual and agreeable and that serve the public?" <sup>111</sup> While about that same time, C. E. Perkins, President of the Burlington, spoke feelingly of the profits that could be made by the railways "if it were not for the damn legislatures." <sup>112</sup>



When President Roosevelt urged arbitration upon the coal magnates at the time of the famous strike during his administration, the operators "insolently" declined, "refusing to consider the public had any rights in the matter."<sup>113</sup> The elder J. P. Morgan once refused to grant a newspaper interview, saying: "I owe the public nothing."<sup>114</sup> On another occasion this financial autocrat exclaimed: "Men owning property should do what they like with it."<sup>115</sup> At one time when he asked Judge Gary's opinion concerning a certain law, this is what happened:<sup>116</sup>

Gary: I don't think you can legally do that.

Morgan (stormily): Well, I don't know as I want a lawyer to tell me what I cannot do. I hire him to tell me how to do what I want to do. . . .

This philosophy of ruthless individualism saturated the business world for a century, and often found expression on the bench. In a Standard Oil Case, Judge Brannon of West Virginia, said: "The lion has stretched out his paws and grabbed in prey more than others, but that is the natural right of the lion in the field of pursuit and capture. Pity that the lion exists, his competing animals may say; but natural law accords the right, it is given him by the maker for existence. . . . That, in these days of sharp ruinous competition, some perish is inevitable. The dead are found strewn all along the highways of business and commerce. Has it not always been so? . . . Human intellect—human laws—cannot prevent these disasters. The dead and wounded have no right of action from this imperious law. This is a free country. Liberty must exist. It is for all. This is a land of equality, so far as the law goes, though some men do in lust of gain get advantage. Who can help it?"<sup>117</sup>

Although many of the great fortunes have always been tainted with fraud and duplicity, their owners have been quick to hide behind the sanctity of contracts and the sacredness of property. In the famous case of Fletcher vs. Peck, Chief Justice Marshall handed down the decision that a grant made by the State of Georgia constituted a contract which could not be impaired or revoked by subsequent legislation.<sup>118</sup> This decision not only upheld the validity of the Yazoo land grants, which were secured by corrupt means, but served as a precedent for validating countless other land steals during succeeding decades. In 1894 Justice Brewer handed down the opinion of the Supreme Court that *the method by which an owner secures his prop-*

*erty is immaterial*: "He may have made his fortune dealing in slaves, as a lobbyist, or in any other way obnoxious to public condemnation; but, if he has acquired the legal title to his property, he is protected in its possession, and cannot be disturbed until the receipt of the actual cash value. The same rule controls if railroad property is to be appropriated. No inquiry is open as to whether the owner has received gifts from State or individuals, or whether he has, as owner, managed the property well or ill, or so as to acquire a large fortune therefrom. It is enough that he owns the property—has the legal title; and, if so owning, he must be paid the actual cash value of the property. . . ." <sup>119</sup>

#### 4. *Social Waste*

The natural resources available and the technical skill at our disposal are sufficient to enable every family in the United States to live on a high level of comfort and privilege. A dozen years ago an estimate was made that "it would require the labor of 3,000,000,000 hard-working slaves to accomplish the work done annually in the United States by our energy resources" and, of course, the volume of mechanical energy now available is enormously greater than in 1921.<sup>120</sup> More recently the U. S. Department of the Interior has estimated that "we now possess in non-human sources of energy the equivalent of sixty slaves for every man, woman, and child in the United States."<sup>121</sup> Yet the purchasing power of most Americans is insufficient to enable them to satisfy their basic needs, and everywhere privation and destitution are to be found.

The chasm between actual consumption and potential production is caused in considerable measure by social waste. All students of this problem are heavily indebted to Stuart Chase for the monumental assemblage of evidence in his volume *The Tragedy of Waste*. After surveying the relevant data, Mr. Chase summarizes the waste in man-power in the United States as follows: <sup>122</sup>

The man-power going into illth is at least.....	8,000,000
The man-power idle on a given working day is at least.....	6,000,000
The man-power wasted in production methods is at least.....	4,000,000
The man-power wasted in distribution methods is at least.....	2,500,000
A total of at least.....	20,500,000
Against an able-bodied adult population of approximately.....	40,000,000
Giving a minimum ratio of waste of about.....	50%

Thus Mr. Chase estimated that in 1925, when his book was published, approximately half of the man-power of this country was either directed into channels that were socially unproductive or not utilized at all on a given day.

A more recent and far more startling estimate of social waste is furnished by Mr. Arthur Morgan, president of Antioch College and President Roosevelt's appointee as head of the vast Tennessee Valley projects. Beginning with a quotation from Sir Arthur Salter that "waste and unproductive methods rob us of nine-tenths of our productive capacity," President Morgan lists a score of wastes and concludes: "These estimates imply that we squander about 94% of our productive capacity. We need not impute to them even approximate accuracy to realize the gap between actual and possible production. The difference in productiveness between aboriginal savages and modern America may be no greater."<sup>123</sup> The various types of social waste listed by President Morgan include restriction of output, unrestrained profit motive, the waste of the present financial and economic order, waste in production, waste in distribution, restrictive practices, industrial dishonesty, governmental waste, international anarchy, crime, personal disloyalty, personal excesses and indulgence, waste in health and hygiene, misplacement in industry, and waste in education.

Some years ago Mr. Hoover's committee of the Federated American Engineering Societies made an elaborate investigation and published a volume entitled *Waste in Industry*. The following table is taken from that report:

	<i>Waste Due to Management</i>	<i>Waste Due to Labor</i>	<i>Waste Due to Outside Causes</i>
Building trades .....	65%	21%	14%
Boot and shoe.....	73	11	16
Metal trades .....	81	9	10
Printing .....	63	28	9
Men's clothing .....	75	16	9
Textiles .....	50	10	40

Distribution of the proceeds of industry on a basis of competition for private gain is wasteful almost beyond exaggeration. The familiar illustration of eight milk wagons covering the same block is typical of many divisions of the distributive system in this country.

An enormous number of middle-men exact a toll of profit as the commodity travels from the producer to the consumer, with the result that low prices at the beginning are metamorphosed into high prices at the end. One has only to consult the census figures to see the extent to which we have gone under our competitive system: <sup>124</sup>

<i>Engaged in Primary Production</i>	1930	1920	1910
Farmers .....	10,471,998	10,665,812	12,388,309
Foresters and Fishermen.....	250,469	270,214	241,806
Miners .....	984,323	1,090,223	965,169
Manufacturing and Mechanical Workers..	14,110,652	12,831,879	10,656,545
	25,817,442	24,858,128	24,251,829

  

<i>Engaged in Distribution and Various Services</i>	1930	1920	1910
Transportation and Communication Workers	3,843,147	3,096,829	2,665,269
Wholesale and Retail Workers.....	6,081,467	4,257,684	3,633,265
Public Servants .....	856,205	738,525	431,442
Professional Workers .....	3,253,884	2,171,251	1,711,275
Domestic Service .....	4,952,451	3,379,995	3,755,798
Clerks .....	4,025,324	3,111,836	1,718,458
	23,012,478	16,756,120	13,915,507

Thus it will be seen that while the number of workers employed in primary production increased by 606,299 from 1910 to 1920, and by 959,314 from 1920 to 1930, the number engaged in distribution and various services increased by 2,840,613 from 1910 to 1920, and by 6,256,358 from 1920 to 1930. That is to say, the number of persons composing the latter group increased nearly five times as rapidly as the former from 1910 to 1920, and nearly seven times as fast from 1920 to 1930. The personnel of the distributive and service groups constituted 36 percent of the entire number of workers gainfully employed in 1910, 40 percent in 1920, and 47 percent in 1930.

A significant illustration of waste through excess facilities is furnished by the gas-filling-station industry. In an article in *World's Work*, a summary is presented of the results of a two years' study of

gasoline marketing problems by Glen B. Winship. He discovered that a billion dollars is invested in superfluous filling stations in the United States. "In a town-by-town survey, he found 111,594 useless stations, or 71 percent of the nation's total. He also discovered that duplication of facilities is annually costing the petroleum industry \$455,000,000 (4 percent on its investment) and the motoring public two cents on every gallon of gas it buys."<sup>125</sup>

Every decade of American history has witnessed the riotous waste of natural resources. With what appeared to be utterly inexhaustible resources of an endless variety at hand, there seemed to be no need whatever for conservation. Until recent years the soil has been tilled with extreme recklessness, the consequence being that fertility of vast stretches has been reduced to near-zero. Unmeasured millions of feet of fine timber have been felled and left to rot as "the forests were an obstacle to be hacked and burned away." The Department of Agriculture has estimated that, out of a cut of 22½ billion cubic feet of lumber each year, 9 billions are wasted.<sup>126</sup> So vast have been the inroads on the supplies of coal and other minerals that more metals have been used since 1890 than in all previous history combined.<sup>127</sup> "For every ton of coal produced," write Messrs. Gilbert and Pogue, "our methods of mining have placed a second ton beyond recovery; for every 1,000 feet of natural gas turned out, a similar quantity has escaped; for every barrel of petroleum that has seen useful service, nine barrels have been wasted . . . our best and most convenient coals will be depleted in a few decades, half our petroleum is already used up, and over half our natural gas is gone."<sup>128</sup>

The volume of known waste in natural resources has been summarized by Stuart Chase as follows:<sup>129</sup>

Coal.....	750 million tons per year
Water power.....	50 million horse-power per year
Oil.....	1 billion barrels per year
Natural gas.....	600 billion cubic feet per year
Lumber.....	5 billion cubic feet per year

The most colossal economic waste in the United States, however, is found in the planlessness of production and distribution. Until these last months, the assumption has been almost universal in this country that industry and commerce should be operated under private ownership and control, and with a minimum of interference. Competition has been idolized and the weight of government has

been thrown behind the effort to enforce it, as may be witnessed, for example, in the anti-trust laws. Ultimate determination of production has been left to the law of supply and demand. Talk of planning production and distribution on a national scale is a development of recent months. Private ownership of the basic industries and operation for private gain have produced anarchy and chaos, with the accompaniment of bankruptcy and unemployment. Much of the advantage of increased efficiency in the shop or mine has been lost by the lack of coordination among the various units within a given industry, among various industries, and between production and distribution in general. Thus far capitalism has excelled in personal or plant or corporation efficiency, but it has failed miserably in the realm of coordination and planning. The resultant insecurity is so severe and so significant that a separate section is being devoted to it.

### 5. *Insecurity*

Victors and vanquished alike are compelled to pay a terrific price by competitive individualism. The stress and strain of modern business and finance exact a tragic toll of nervous energy. Success and failure are now determined in considerable measure by influences over which the individual has feeble control. The small proprietor or the executive of a large corporation may exert himself tirelessly and exhibit a high degree of efficiency and yet be beaten by relentless competition or by vast imponderable forces in the form of a panic or economic depression. The loss of markets or the failure of creditors or the closing of his bank may wipe him out completely, in spite of efficient management. The records of the Bureau of Business Standards indicate that "if one hundred factories started in 1930 there would be thirty-eight left by 1960 . . . which would make the average life span of a factory seven years."<sup>130</sup>

The record of bankruptcy proceedings reveals only a small percentage of the total number of business disasters. Many concerns silently fold their tents and depart, while countless others yield only a meager return to their owners. Even in prosperous 1929 there were 186,591 corporations which had no net income whatever, and the number in 1928 was 174,828; in 1927, 165,826; in 1926, 197,186.<sup>131</sup> Nevertheless, the bare statistical record of business failures tells a story of stark tragedy:<sup>132</sup>

<i>Year</i>	<i>Number of Commercial Failures</i>	<i>Aggregate Liabilities</i>
1932.....	31,822	\$928,313,000
1931.....	28,285	736,309,000
1930.....	26,355	668,284,000
1929.....	22,909	483,250,000
1928.....	23,842	489,560,000
1927.....	23,146	520,104,000
1926.....	21,773	409,232,000
1925.....	21,214	443,744,000
1924.....	20,615	543,225,000
1923.....	18,718	539,387,000
1922.....	23,676	623,896,000
1921.....	19,652	627,402,000
1915.....	22,156	302,286,000
1910.....	12,652	201,757,000
1905.....	11,520	102,676,000
1900.....	10,774	138,496,000
1895.....	13,197	173,196,000
1893.....	15,242	346,780,000
1884.....	10,968	226,343,000
1878.....	10,478	234,383,000
1877.....	8,872	190,670,000
1876.....	9,092	191,118,000
1875.....	7,740	201,060,000

The insecurity of the present economic order is even more vividly reflected in the record of bank failures. The following table shows that since 1921 more than 10,000 banks, with total deposits of \$4,993,898,000 have suspended : <sup>183</sup>

<i>Year</i>	<i>Number of Banks Suspended</i>	<i>Aggregate Deposits</i>
1932.....	1,456	\$ 716,000,000
1931.....	2,298	1,691,510,000
1930.....	1,345	864,715,000
1929.....	642	234,532,000
1928.....	491	138,642,000
1927.....	662	193,891,000
1926.....	956	272,488,000
1925.....	612	172,900,000
1924.....	776	213,338,000
1923.....	648	188,701,000
1922.....	354	110,721,000
1921.....	501	196,460,000

Further substantiating evidence of the high degree of instability of capitalism in the United States is found in the trend of prices. The following table reveals the upward and downward swing for various years: <sup>134</sup>

<i>Year</i>	<i>Wholesale Prices</i> <i>1926 average—100</i>	<i>Retail Food Prices</i> <i>1913 average—100</i>	<i>Farm Prices</i> <i>1909-1914—100</i>
1931.....	73.0	121.3	80
1930.....	86.4	147.1	117
1929.....	95.3	156.7	138
1928.....	96.7	154.3	139
1927.....	95.4	155.4	131
1926.....	100.0	160.6	136
1925.....	103.5	157.4	147
1924.....	98.1	145.9	134
1923.....	100.6	146.2	135
1922.....	96.7	141.6	124
1921.....	97.6	153.3	116
1920.....	154.4	203.4	205
1919.....	138.6	185.9	209
1918.....	131.3	168.3	200
1917.....	117.5	146.4	176

It will be noticed that in these 15 years the variation in wholesale prices was from 73.0 to 154.4, in retail food prices from 121.3 to 203.4, and in farm prices from 80 to 209. Accurate calculating and careful planning become utterly impossible under such conditions.

The highly speculative nature of the stock market, and the consequent financial instability produced by this trading, is revealed in the following trend of 25 industrial stocks at various periods: <sup>135</sup>

<i>Year</i>	<i>High</i>	<i>Low</i>
1931.....	\$251.22	110.73
1930.....	358.16	196.97
1929.....	469.49	220.95
1928.....	332.58	233.42
1927.....	247.48	171.49
1926.....	186.03	137.65
1921.....	90.60	66.24
1913.....	67.08	50.27

The significance of a variation of \$248.54 in the average price of these 25 stocks within twelve months, and of \$419.22 from the low level of 1913 to the high peak of 1929, should not be overlooked.



The gambling aspect of the stock market is even more vividly reflected by the following comparative prices of certain specified stocks : <sup>186</sup>

	<i>Highest in 1929</i>	<i>Lowest in 1932</i>
Auburn Automobile .....	\$514	28¾
Case Treshing .....	467	16¾
Otis Elevator .....	450	9
General Electric .....	403	8½
Detroit Edison .....	385	54
Midland Steel .....	321	2
Am. Tel. & Tel.....	310¼	69¾
At., Topeka & S. F.....	298⅝	17⅞
Union Pacific .....	297⅝	27⅝
Westinghouse Elec. ....	292⅝	15⅝
Ches. & Ohio.....	279¾	9¾
Western Union .....	272¼	12¾
U. S. Steel.....	261¾	21¼
N. Y. Central.....	256½	8¾
Pennsylvania Railroad .....	110	6½
Erie .....	93½	2
Wabash .....	81⅜	7⅞
Chic., M. & St. P.....	44⅞	¾
Seaboard Ry. ....	41⅜	¼

The productive capacity of the physical properties back of these stocks in all probability was as high or even higher in 1932 than in 1929, yet the shrinkage in selling price was catastrophic. The chasm between the high and the low figure is so wide that one is warranted in questioning the financial sanity of the buyers and sellers of these stocks. Look at the high-low again—\$450 and \$9, \$403 and \$8.50, \$321 and \$2, \$81.36 and \$0.88!!

If any doubt remains that these purchasers were guessing or gambling, it will be quickly dispelled by the cruel record of printed prophecies as to the trend of the stock market. So voluminous is the evidence of false predictions that it has been possible to devote an entire book, *Oh Yeah?*, to samples from the lips and pens of eminent financiers, industrialists, and statesmen.<sup>187</sup> If the reader will keep constantly in mind the fact that the stock market did not touch bottom until the middle of 1932 and that the business index did not stop descending until March, 1933, the following utterances will sound even more hilarious—or tragic:

"There are no great failures nor are there likely to be," wrote

the editor of the National City Bank *Monthly Review*, on December 2, 1929. "While the crash took place six months ago, I am convinced that we have now passed the worst . . ." declared President Hoover on May 1, 1930. "Business will be normal in two months," asserted Secretary of Commerce Lamont, on March 3, 1930. On May 20 the optimistic Secretary of Commerce again predicted: ". . . normal conditions should be restored in two or three months."<sup>138</sup> Mr. Charles M. Schwab, on October 25, 1929, said: "In my long association with the steel industry I have never known it to enjoy a greater stability or more promising outlook than it does today." Professor Irving Fisher declared on October 16, 1929: "Stock prices have reached what looks like a permanently high plateau." It was on April 18, 1931, that Senator Smoot said: "One of the most powerful influences working toward business recovery is the tariff act which Congress passed in 1930."<sup>139</sup>

"The depression has ended," categorically asserted Julius Klein, Assistant Secretary of Commerce, on June 9, 1931. Colonel Leonard P. Ayres, of the Cleveland Trust Company, on January 15, 1931, expressed this opinion: "The present indications are that we are at or near the bottom of this depression." "The worst is over without a doubt," asserted Secretary of Labor Davis, on June 29, 1930. Mr. Alfred P. Sloan, Jr., of the General Motors Company, in November, 1930, said: "I see no reason why 1931 should not be an extremely good year." "As sure as I am standing here," declared Walter S. Gifford, of the American Telephone and Telegraph Company, on November 25, 1930, "this depression will soon pass and we are about to enter a prosperity the like of which no country has ever seen before."<sup>140</sup>

Even the professional business forecasters ruined their batting averages. Mr. Roger Babson has made much capital out of the fact that he foretold the stock market crash of 1929, but he has not emphasized the frequency with which he gave unsound advice to his clients. On August 19, 1929, when he warned that this "is no time to buy inflated issues," he quickly added, "not that we think a panic is right around the corner. We do not think so." October was further away than around the corner. In November, Babson wrote that "clients should have patience and watch for the bargains which we know still lie ahead." And this in 1929! In September, 1930, he advised buying because "stocks will advance this fall." On June 8, 1931, he suggested that "these are special buying opportunities—not

a time to unload sound values. We are just as sure that we are near the latter stages of the bear market as we were sure the bull market was on its last legs two years before we sent up the danger signals in 1929." The latter stages were yet twelve to twenty months in the future. On October 5th, Babson headed his advice: "Buy—Don't Sell," and urged his constituency to "take advantage of these convulsively low prices." And the abyss was many months distant. He was still suggesting additional purchases on April 18, April 25, May 16 and June 10.<sup>141</sup> On April 16th Mr. Babson was accorded an interview with President Hoover, at which time the Major Prophet informed the Chief Executive: "Business has passed the corner . . . I should not be surprised to see a shortage of labor in some lines before the year is over . . . . If we have rain enough, that is all we need."<sup>142</sup>

There is no occasion for surprise, therefore, that "Mr. Alfred Cowles recently reported to the American Statistical Association the results of an impartial analysis of 11,500 financial forecasts, from reputable agencies and journals. From a comparison of the predictions with the changes predicted, he concluded that the results of following the prophetic suggestions would have been approximately four percent a year below those attainable by reliance on chance."<sup>143</sup> Mr. Roy Helton is therefore warranted in saying: "There is consequently evidence that a ten-cent pair of dice knows somewhat more about the future than the most expensive human prophet."

If individualism penalizes the owner and investor by imposing a high degree of economic instability, how much the more cruel is the insecurity inflicted upon the person whose primary, if not sole, means of livelihood is the sale of his labor. A worker's standard of living does not depend upon his ability, integrity, diligence and thrift, although these are important elements, nearly as much as it does upon regularity of employment, rates of pay, and the cost of living, all of which are almost entirely beyond his individual control. The lot of the slave or the serf was usually more debased than that of the modern laborer, but at least his security was much greater. Fear of losing his job, or agonized failure to secure work, hangs like a pall over the worker in the capitalist system. It is simply impossible to exaggerate the psychological effects of the threat or the reality of unemployment in modern industrial nations.

The exact extent of unemployment in the United States is not known for the reason that adequate statistical records are not avail-

able. At the low point of the depression in 1933 the number of unemployed in this country was variously estimated at 12 to 17 million workers. On March 4th, the *Financial Chronicle*, a conservative spokesman of Wall Street, referred to the fact that "today the industrial machinery of the country is almost at a complete standstill, with an army of between 15,000,000 and 16,000,000 unemployed . . . with the whole nation disheartened and, in fact, in absolute despair."<sup>144</sup> The *Business Week*, another conservative publication, estimated that in November 1932, the total number of unemployed, was 15,252,000.<sup>145</sup> Mr. Meredith B. Givens, of the National Bureau of Economic Research, has presented evidence showing that the *decline* in employment from 1929 to 1932 among groups aggregating 20 million workers, approximately two-thirds of the total number of non-agricultural gainfully employed individuals of the nation, was 7,379,000.<sup>146</sup> Tables prepared by Mr. Givens show a precipitous decline in certain industries:

*Monthly Average 1929—100*

	1929	1930	1931	1932	1933 (three mos.)
Textiles and Products.....	100.0	87.4	80.4	70.1	71.9
Chemicals and Products.....	100.0	93.1	79.3	68.5	68.7
Rubber Products.....	100.0	76.4	66.4	59.8	50.3
Iron and Steel.....	100.0	88.1	72.5	56.6	50.8
Transportation Equipment.....	100.0	80.4	63.8	51.7	47.1
Cement, Clay, Glass.....	100.0	84.4	68.9	50.8	41.9
Non-Ferrous Metals.....	100.0	77.3	63.9	49.8	43.5
Machinery.....	100.0	83.9	62.4	44.8	37.6
Lumber and Products.....	100.0	78.3	59.2	43.9	37.4
Total Manufacturing.....	100.0	86.8	73.6	60.9	58.1

That is to say, the number of workers in the lumber industry in the early months of 1933 was approximately one-third of the total in 1929, and the number in manufacturing as a whole decreased by nearly half in three years.

Unemployment is a chronic disease of capitalism. Every four to seven years for many decades, on the average, there has been a serious economic depression with its terrible harvest of unemployment. Professor Paul H. Douglas of the University of Chicago has published what is probably the most authoritative study of the trend

of unemployment since 1897.<sup>147</sup> He concludes that the lowest average percentage of unemployment in manufacturing, transportation, mining and construction in any year was 6 percent, and the highest about 20 percent. His detailed figures for selected years are as follows:<sup>148</sup>

*Estimated Percentage of Employment*

<i>Year</i>	<i>Mfg. and Transpor.</i>	<i>Building Trading</i>	<i>Coal Mining</i>
1897.....	14.5	32.0	41.7
1908.....	12.0	35.8	36.5
1914.....	12.9	34.6	32.2
1921.....	21.2	26.6	43.3

"There has been no observable and pronounced tendency for the volume of unemployment either to diminish or increase," writes Professor Douglas. . . . "Those who argue that unemployment is steadily growing worse over long periods of time have little substantial evidence. Similarly those who declare that unemployment is constantly getting better will be almost equally hard put to it, despite the black years of 1893-95, to defend their position."<sup>149</sup>

Recently the *New York Times* published a chart showing the business cycle for the 36 years from 1890 to 1925.<sup>150</sup> The various periods were designated as years of Prosperity, Recession, Depression, Revival. *Out of the 36 years, the months of prosperity approximated 15 years, and the months of depression totaled about ten years.* The longest spans of prosperity were three years, beginning in the middle of 1915, war years be it noted, and two and a half years beginning in 1901. And who is not aware of the fact that the five years of prosperity from 1925 to the stock market crash have been followed by four years of depression!

A chart published in the *Literary Digest* shows that from 1854 to 1889 inclusive the years of prosperity numbered about 21 and the years of depression about 15.<sup>151</sup> The longest period of prosperity was four years from 1880, and the longest duration of depression was nearly six years beginning in 1873. Concerning this chart, which covers the years from 1854 to 1931, the Cleveland Trust Company says: "During this long span of years there have been thirteen well-defined periods of serious depression, of which the present one is the most severe."<sup>152</sup>

By some strange process of reasoning, many defenders of capitalism derive comfort from the fact that there have been numerous previous depressions, and that we have always passed through deep valleys to further heights of prosperity. The *Nation's Business*, for example, ran a series of articles presenting the most harrowing details of previous panics and depressions. But what more damning indictment of individualism as an economic system could be made than the sober recital of the story of extreme instability and insecurity decade after decade!

### 6. *Concentration of Economic Power*

Approximately 71 percent of American wage earners in manufacturing industries in 1929 were engaged in factories with 100 or more employees. The 16,753 establishments in this category employed 6,257,165 workers, whereas the total number of manufacturing concerns was 210,959, and the total number of workers 8,838,743.<sup>163</sup> Thus we see that 8 percent of the establishments employed 71 percent of the workers. The number of establishments employing as many as 500 workers was 2,718, and their total number of employees was 3,336,980. This means that 1½ percent of the establishments employed 38 percent of the workers.

The size of corporations has become so stupendous that the economic power of their directors is almost illimitable. Mr. Adolf A. Berle, Jr., who has been selected by President Roosevelt as one of his chief advisors, and Gardiner C. Means, of Columbia University, have compiled and interpreted the relevant data in an authoritative and extraordinarily significant volume, *The Modern Corporation and Private Property*. Here is their summary: "When we compare the combined assets of the two hundred largest non-banking corporations with the assets of all non-banking corporations, their dominant role is further emphasized. These companies, 42 railroads, 52 public utilities, and 106 industrials, each with assets over ninety million dollars, had combined assets at the beginning of 1930 of \$81,074,000,000. According to an estimate based on Income Tax figures, the total assets of all non-banking corporations at the beginning of 1930 amounted to \$165,000,000,000. Thus the two hundred big companies controlled 49.2 percent or nearly half of all non-banking corporate wealth, while the remaining half was owned by the more than 300,000 small companies. The same dominant position

of the large companies is shown when we compare the net income of the largest companies with the net income of all corporations. In 1929, the most recent year for which Income Tax statistics have been published, the largest two hundred non-banking corporations, each with an income of over \$5,000,000, received 43.2 percent of the income of all non-banking corporations."<sup>154</sup>

Believe it or not: *200 corporations controlled 49 percent of all non-banking corporate wealth of the United States, and received 43 per cent of the income of all non-banking corporations!* Moreover, these 200 corporations "controlled 38 percent or more of all business wealth" and "roughly 22 percent of the total wealth of the country."<sup>155</sup> The evidence is thus summarized by Berle and Means:

*Relative Importance of Large Corporations*

On or about January 1, 1930

	<i>Results Obtained By Actual Computation</i>	<i>Probable Limits</i>
Proportion of <i>corporate</i> wealth (other than banking) controlled by the 200 largest corporations .....	49.2%	45-53%
Proportion of <i>business</i> wealth (other than banking) controlled by the 200 largest corporations .....	38.0%	35-45%
Proportion of <i>national</i> wealth controlled by the 200 largest corporations.....	22.0%	15-25%

"There were over 300,000 non-financial corporations in the country in 1929. Yet 200 of these, or less than seven-hundredths of one percent, control nearly half the corporate wealth. . . . This concentration is made even more significant when it is recalled that as a result of it, approximately 2,000 individuals out of a population of one hundred and twenty-five millions are in a position to control and direct half of industry."<sup>156</sup>

Fifteen of these corporations are in the billionaire class, as may be seen from the table on page 111:<sup>157</sup>

In addition there were 33 corporations with gross assets between 500 and 999 millions, with combined assets of \$22,804,600,000. This means that 48 corporations had gross assets of approximately 49 billion dollars, or 60 percent of the total assets of the 200 largest corporations of the country.

*Gross Assets on or  
About Jan. 1, 1930*

American Telephone & Telegraph Co.	\$4,228,400,000
Pennsylvania Railroad .....	2,600,000,000
United States Steel Corporation.....	2,286,100,000
New York Central Railroad.....	2,250,000,000
Southern Pacific Railroad.....	2,156,700,000
Standard Oil Co. of New Jersey.....	1,767,300,000
Allegheny Corporation .....	1,600,000,000
General Motors Corporation.....	1,400,000,000
Consolidated Gas Co. of New York..	1,171,500,000
Atchison, Topeka & Santa Fe Ry.....	1,135,400,000
Commonwealth & Southern Corp....	1,133,700,000
U. S. Electric Power Corp.....	1,125,800,000
Union Pacific Railroad.....	1,121,100,000
Middle West Utilities Co.....	1,120,000,000
Baltimore & Ohio Railroad.....	1,040,800,000
Total of These 15 Corporations.	\$26,136,800,000

A more recent list, compiled on a different basis of classification, by Frank P. S. Glassey, a financial writer of the United Press Association, is as follows: <sup>158</sup>

<i>Company</i>	<i>Total Assets Dec. 31, 1932</i>
American Telephone & Telegraph Co.....	\$4,901,575,912
Metropolitan Life .....	3,769,372,425
Prudential Life .....	2,773,769,000
Southern Pacific .....	2,332,056,608
Pennsylvania Railroad .....	2,208,112,414
United States Steel.....	2,158,732,221
New York Life.....	1,974,076,041
Standard Oil of New Jersey.....	1,888,009,301
Chase National Bank.....	1,856,290,382
New York Central.....	1,825,367,729
National City Bank.....	1,615,260,569
Equitable Life .....	1,471,697,007
Guaranty Trust .....	1,410,768,974
Canadian Pacific .....	1,375,366,013
Cities Service .....	1,288,104,833
Atchison, Topeka & Santa Fe.....	1,268,178,332
Baltimore & Ohio.....	1,235,564,391
U. S. Electric Power Corp.....	1,228,459,718
Union Pacific .....	1,186,012,328
Commonwealth & Southern Corp.....	1,136,542,942
General Motors .....	1,115,228,641
Socony-Vacuum .....	1,006,514,169
Total .....	\$40,325,059,950



These huge corporations are owned by hundreds of thousands of stockholders and represent a considerable proportion of the pooled savings of the nation. The rapid increase in the number of stockholders has frequently been interpreted as indicating movement toward economic and industrial democracy. But this is a misleading evaluation. The trend is toward decentralization of ownership, but in the direction of consolidation of control, and control possesses more social significance than ownership. Theoretically these giant conglomerations of money are subject to control by the stockholders, but actually they are controlled by directors and officers. Stockholders are usually concerned merely with dividends, and only a small percentage ever attend the annual meeting or take any active part in the determination of policies. Judge Gary once thanked the stockholders of the United States Steel Corporation for their confidence in sending proxies which enabled him to control the voting for 19 successive years. In December, 1931, there were 642,180 stockholders of the American Telephone and Telegraph Company, 241,391 of the Pennsylvania Railroad, and 174,507 of the United States Steel Corporation.<sup>169</sup> Of the 144 large companies the names of whose stockholders were available, 71 had over 20,000 stockholders.

Messrs. Berle and Means discuss at considerable length the various devices by which these huge corporations are controlled, and present the following summary:<sup>160</sup>

	<i>By Number</i>	<i>By Wealth</i>
Management control .....	44%	58%
Legal device .....	21%	22%
Minority control .....	23%	14%
Majority ownership .....	5%	2%
Private ownership .....	6%	4%
In hands of receiver.....	1%	negligible

" . . . In the corporate system, the 'owner' of industrial wealth is left with a mere symbol of ownership while the power, the responsibility and the substance which have been an integral part of ownership in the past are being transferred to a separate group in whose hands lies control. . . . Ownership of wealth without appreciable control and control of wealth without appreciable ownership appear to be the logical outcome of corporate development."<sup>161</sup>

An immense mass of detailed evidence is presented in the 500

pages of Harry W. Laidler's volume, *Concentration in American Industry*. From his summary the following is taken: "In anthracite coal, we have found that nearly four-fifths of the recoverable tonnage is controlled by 8 companies closely affiliated with railroads. Four companies produce one-half of the total annual output. In the soft coal industry, where less concentration prevails, some 30 producers mine about one-third of the total and own more than one-third of the coal reserves. In the case of iron ore, one corporation, the United States Steel, controls from one-half to three-fourths of the iron ore reserves and two-fifths of the industry's steel-making capacity, while 2 corporations control some 52 percent of steel capacity and 9, over 80 percent. In the copper industry, 4 companies control nearly one-half of the copper reserves. . . . One company—the International Nickel—owns more than 90 percent of the known nickel resources of the world. One company—the Aluminum Company of America—holds a position of practical monopoly as far as the domestic market is concerned in the ownership of bauxite deposits, used in the manufacture of aluminum, while two others control most of the world's sulphur supply. . . . We found in the gigantic business of communication that one system—the Bell Telephone—controlled about four-fifths of the telephone service of the country; that another company—the Western Union—had jurisdiction over three-fourths of the telegraph service. . . . In our food industry two packers handle over 50 percent of the meat entering interstate commerce. . . . Four huge corporations, three of them formerly dominated by one family, are supplying about a fourth of the nation's bread." <sup>162</sup>

The investigation of the activities of J. P. Morgan & Company by the Senate committee in May and June, 1933, revealed the fact that 24 partners of the firm are directors of 89 other corporations with assets in excess of 20 billion dollars, divided as follows: <sup>163</sup>

	<i>Total Assets</i>
15 banks and trust companies.	\$3,811,411,000.00
7 holding companies . . . . .	83,786,475.39
10 railway companies . . . . .	3,436,666,000.00
5 public utility companies . . . .	3,404,555,000.00
8 operating companies . . . . .	2,818,147,000.00
38 industrial companies . . . . .	6,037,644,000.00
6 insurance companies . . . . .	337,187,000.00
	\$19,929,396,475.39

This table does not reveal the total assets of all the corporations in which members of Morgan and Company are represented on the board of directors because the assets of 15 such companies are not included in the above summary. Thus it will be seen that the combined assets of these corporations is the equivalent of almost a billion dollars for every Morgan partner.

Mr. K. W. Stillman has recently compiled an illuminating table showing the banking representatives on the boards of American billion dollar corporations. He reveals the fact that 23 banking houses have 125 directorates in 10 of these huge companies, with aggregate assets of nearly 18 billion dollars.<sup>164</sup>

### *7. Industrial Warfare*

"Had we deliberately planned an industrial system which would create intense conflict between capital and labor, we could scarcely have devised one which would have achieved this result more completely than does the existing economic order." This is the verdict of Professor Sumner H. Slichter of Harvard University.<sup>165</sup> "The contest between capital and labor is more serious than any of the other contests. Since the year 1877 it has frequently resulted practically in civil war . . ." This is the conclusion reached by Professor John R. Commons and his colleagues on the Commission on Industrial Relations, appointed by President Wilson.<sup>166</sup>

The business man's struggle for survival is so terrific that he feels obliged to drive a sharp bargain with his workers, and we have already considered some of the evidence which reveals the frequency with which the employer is overwhelmed in economic ruin. The profit system, with its extreme fluctuations of prices and profits and wages, leads inevitably to conflict between employer and employer, worker and worker, employers and workers. Acting upon the almost universally accepted thesis that an individual is entitled to all the money he can get honestly, every party to industry seeks to increase his ratio of the total proceeds. The natural result has been ruthless competition, breaking forth intermittently into actual industrial warfare. One of the most ecstatic devotees of capitalism expressed it this way: "Competition was tyrannical and destructive. Weaker competitors were forced to quit business as the big combinations arose, sometimes by means not only unethical but brutal as well."<sup>167</sup> Judge Gary on this occasion was drawing a contrast be-

tween former practices and those of his own more enlightened day, but his words furnish a literal description of the industrial scene in every decade since the emergence of industrialism. Ruthlessness and brutality have accompanied capitalism every step of the way.

The management of a million-dollar or billion-dollar corporation has an enormous advantage over an isolated worker, and so long as the employees do not combine for collective action, is able to dictate terms of employment, including wages, hours, and working conditions. This advantage is so significant in the struggle for existence that those in control are subjected to terrific temptation to prevent the formation of effective labor unions. A large majority of American employers have steadily refused to bargain collectively with their workers who desired to function through national unions, and with tragic monotony have put forth every effort within their power to prevent the organization of their workers in such unions, and to destroy national unions already in existence. Their arsenal of attack has contained a great variety of direct and indirect weapons, and for a comprehensive summary the reader cannot do better than to turn to a volume by John A. Fitch, *The Causes of Industrial Unrest*.

Among the indirect means of combatting unionism are profit-sharing, bonuses, welfare activities, industrial pensions, and workers' councils or company unions. These features have not always been introduced solely for the purpose of preventing the entrance of national unions, but frequently this has been the primary reason. Among the direct weapons have been refusal to hire union members, and the use of the "yellow-dog contract" whereby the employee agrees not to join a union, discharge of workers for joining the union or soliciting members for it, the institution of a system of industrial spies for the purpose of preventing unionization, black-lists of "subversive" workers who are not to be employed by co-operating companies, corrupting union leaders, slandering leaders of the strike, lockouts to destroy unions, dispossessing workers from company houses, the defeating of strikes through the importation of armed guards as strike-breakers, the use of injunctions against strikers, the enlistment of support from governmental officials and the use of the police or other governmental armed forces against the strikers, and the engendering of public opinion against strikers by manipulating the press which employers dominate so overwhelmingly.

The weapons at the disposal of employees in their struggle for a livelihood have been much more limited. The workers have endeavored to enlist the sympathy and cooperation of the public, they have sought to influence political action, they have conducted strikes and boycotts, and they have resorted to sabotage and violence. It is easy to understand, therefore, why the employers have so frequently triumphed and why organized labor is still so pitifully weak in this country.

That the workers have sometimes resorted to violence is not surprising. The wonder is that they have not more often risen up in armed revolt. One may take the pacifist position, as I do, that the use of violence by the workers is unwise and unethical strategy and has cost them much more than it has won for them, and still understand why they sometimes burst forth in uncontrolled rage. When we recall that the masses of workers in this country have never received an income sufficient to enable them to maintain themselves and their families in decency and comfort, that every few years they have been engulfed in an economic depression and scourged by unemployment, and that in hours of hunger and bitterness they have been goaded unmercifully by the infuriating tactics of the employing class, we can only marvel at their forbearance and self-control.

Many volumes would be required to contain the complete story of industrial warfare in the United States. Impressive comments are found in a statement signed by the three *employers* who were members of the Commission on Industrial Relations: "There has been an abundance of testimony submitted," they wrote, "to prove to our satisfaction that some employers have resorted to questionable methods to prevent their workers from organizing in their own self-interest; that they have attempted to defeat democracy by more or less successfully controlling courts and legislatures; that some of them have exploited women and children and unorganized workers; that some have resorted to all sorts of methods to prevent the enactment of remedial industrial legislation; that some have employed gunmen in strikes, who were disreputable characters, and who assaulted innocent people and committed other crimes more reprehensible in character; that some have paid lower wages than competitive conditions warranted, worked their people long hours and under insanitary and dangerous conditions; that some have been contract breakers with labor; that some have at times attempted, through the authorities, to suppress free speech and the right of

peaceful assembly; and that some have deliberately, for selfish ends, bribed representatives of labor." <sup>168</sup>

In the course of a long section on "The Wage Earner Under Competition," Professor Kirkland discusses the strategy of the National Metal Trades Association in these words: "The Association has worked out a complicated and skillful system of strike breaking and of dealing with agitators. 'Special contact operators' or spies are placed in the works to detect the presence of agitators; if a strike occurs, the member appeals to the Association. This has a defense fund for such emergencies, paid in through dues and assessments; it also maintains a file of names of 'certificate men', workers who will be loyal to the Association and will stick out any strike. Guards are provided, lawyers hired, injunctions sworn out. In short, *all the necessary paraphernalia of war are supplied*, and operations are directed by the National Association. It boasts, 'No strikes of any moment have been won by the machinists' union since the organization of the National Metal Trades Association.' " <sup>169</sup>

Professor Kirkland also describes the rise of the industrial spy system. "The business grew with such great rapidity," he writes, "that within twenty-five years the Pinkertons had multiplied their agencies, increased their forces, furnished men for more than seventy strikes, and gone into preventive work . . . By 1920 industrial espionage was general. Some corporations, like the United States Steel Corporation, had their own system of spies; the Pennsylvania Railroad employed Pinkertons . . . At times of strikes the number of spies increased, the army of detectives grew, and in many communities the employers were able to secure deputy sheriffs who, although they were sworn in by the sheriff as representative of the supposedly neutral state, were paid their salaries by the corporation . . . Federal troops, state militia, and state constabularies came to be regarded as strike-breaking agencies at the beck of the capitalist class. The courts were deemed an even stronger ally in the antilabor phalanx." <sup>170</sup>

The testimony of Chairman Walsh and his colleagues on the Commission on Industrial Relations is disturbing: "It may be said that every governmental institution and function has been at some time utilized by the stronger industrial factor for the oppression and suppression of the weaker, but those which are most commonly utilized are, first, the police, including not only the municipal police,

the sheriffs and deputies, the State police and constabulary, the militia, but the private guards, detectives, and vigilante organizations, which usurp and exercise the functions of the police . . . The sheriffs in many counties deputize guards in the employment and pay of corporations . . . controlled courts have not only found it possible through the use of blanket injunctions to make illegal acts which would otherwise be legal, but, resting upon their protection, the police, the deputies, the militia, and the private guards have in many cases felt free to go to unbelievable lengths in order to carry out their plans . . . When governmental institutions are thus corrupted and used as instruments of oppression men can only resist with such power as they have, not alone for the protection of themselves and their families but for the preservation of the fundamental rights of themselves and their fellow citizens."<sup>171</sup>

In the annals of industrial warfare in the United States, among the communities where the explosions have been most violent are Homestead, Pittsburgh, Ludlow, Herrin, Centralia, Everett, Paterson, Passaic, Lawrence, New Bedford, Baltimore, Chicago, Los Angeles, Seattle, Mingo and Logan Counties, Harlan and Bell Counties. A series of pen-pictures may help to illumine the record.

### 1877

On a midsummer night in 1877 the citizens of Baltimore were awakened by a wild ringing of bells. . . . Strikers had taken possession of the Baltimore and Ohio Railroad station, and the Fifth and Sixth Regiments of the Maryland National Guard were marching against them. . . . The Sixth Regiment, finding its advance on the station blocked by hostile workers, closed ranks, and suddenly, horribly, fired a volley into the massed crowd. Instead of plunging to cover, the crowd charged the troops and tried to wrench the guns from their hands, only to be met by volley after volley. Slowly the regiment fought its way to the station, leaving dead and wounded guardsmen to mark its advance. . . .

State troops gathering in Pittsburgh set out to arrest the strike leaders. Their way was blocked by the crowd. The sheriff read the riot act. The troops fired into the mob, whereupon the strikers attacked the troops. Some of the local militia joined the strikers. The battle was general and bloody. During the day strikers broke into stores and carried off \$100,000 worth of guns, pistols, swords and knives. The State troops were finally beleaguered in a railroad roundhouse. The strikers bombarded them with two pieces of captured artillery. Making a breach in the walls, they attacked in force, only to be cut down by concentrated fire of the troops. Next the besiegers sent cars of oil-soaked coke down the tracks toward the roundhouse, and finally they set it on fire. . . . Two roundhouses, 1600 cars, and 125 locomotives were destroyed. . . . So went the summer of 1877, the bloodiest year in the history of American labor conflicts.<sup>172</sup>

1892

In 1892 there burst out the fury of the so-called Homestead Strike. . . . Andrew Carnegie . . . had hurriedly turned the command over to the company's superintendent, Henry C. Frick, a frank and brutal union-hater, and departed for Europe. Frick immediately indicated by his action that he meant war to the bitter end. He erected a wire fence three miles long and fifteen feet high around the works and called upon the Pinkerton Detective Agency to send him three hundred gunmen. . . . On the night of July 5, a boatload of "Pinkertons" attempted to land in Homestead. A battle followed, in which ten men were killed and three times that number wounded. . . . Incensed, Frick then called upon the Governor of the State of Pennsylvania for the militia and within a few days the little mill town of 12,000 was an armed camp.<sup>173</sup>

1894

The ungrateful Pullman workers did not like the cut, and so in May they quit their jobs. . . . On June 26, Debs, authorized by the convention, ordered a boycott against Pullman cars on all Western railroads, the cars to be cut out from trains and side-tracked. . . . So the Chicago capitalists . . . appealed to the Federal Government in Washington. President Cleveland at once ordered the regular troops into service in Chicago and elsewhere. By July 4, Chicago was an armed camp, with over 10,000 soldiers, infantry, cavalry, and even field artillery. . . . Lawlessness continued. Some two thousand railroad cars were wrecked and burned. The losses of property and business to the country were variously estimated between fifty and a hundred million dollars.<sup>174</sup>

1912

The Lawrence outbreak involved an uprising of over twenty thousand employees, who demanded a considerable increase in wages and radical changes in working conditions. Receiving no cooperation from the craft unions, the unskilled workers, most recent immigrants, invited the I. W. W. to help them and, under the leadership of Joseph J. Ettor and "Big Bill" Haywood, the men were heartened for a bitter and protracted struggle. In clashes with the authorities one Italian woman was shot and a young Armenian bayoneted to death. Hoping to discredit the strikers a Lawrence business man "planted" dynamite in several places. . . .<sup>175</sup>

1919

In the steel strike of 1919 and 1920 the police were particularly given to intimidating the strikers and protecting the interests of the employers. . . . According to the evidence presented to the Senate Committee on Labor the strikers were beaten, harassed, and interfered with on numerous occasions. Crowds that were entirely peaceful and orderly were dispersed with great brutality. Meetings were prohibited in many of the towns, and officials showed themselves extremely partial toward the employers. James S. Crawford, mayor of Duquesne and brother of the president of the McKeesport Tin Plate Company, once said in denying a permit to organizers, "Jesus Christ himself couldn't hold a meeting in Duquesne."<sup>176</sup>

1926

One day they formed a parade of twelve thousand to march from Passaic into Clifton. What a parade! Processions of baby carriages, bands of young-



sters, older women, an old grandma of eighty-one. The undimmed, enthusiastic mill children, the youngsters in their teens. This peaceful parade was set upon by the police as they tried to cross a bridge marching from one town to another. Clubbings of such brutal nature occurred that the daily press was filled with pictures of prostrate strikers and policemen with riot clubs in air. . . . At the beginning of the sixth week the Mayor of Passaic menaced the strikers with a force of three hundred mounted policemen. . . . With tear bombs, mounted patrolmen, and a company of sixty-five foot police they tried to disperse a crowd of 2,000 strikers. They failed. The workers jeered and laughed at them. But finally, with the help of five fire companies battering the crowd with powerful streams of water the guardians of order broke the ranks of the strikers, smashing them with clubs when they attempted to halt in their flight or to re-form their ranks. The next day the police did better still. They charged a crowd of 3,000 strikers, bludgeoned many men, women, and children, and smashed with deliberate intent the persons and cameras of the news photographers and motion-picture men present. That was their last victory. The strikers, armed with gas masks, helmets, and their unbending courage, defied the police successfully—and paraded in peace. Photographers took pictures through the slits in armored cars or from the safe vantage of swooping airplane.<sup>177</sup>

1929

"Terrorism, thuggery, invasion, and ruthless disregard of constitutional rights of the people are marks of this ignoble crew" (*Pittsburgh Sun-Telegraph*, February 14, 1929); ". . . thoroughly un-American, smacking of the dark days of old Russia" (*Pittsburgh Press*, February 12, 1929); ". . . a disgrace to the State . . ." (*Pittsburgh Post-Gazette*, February 15, 1929). So the papers of Pittsburgh describe the coal and iron police hired by the coal companies and commissioned by the State of Pennsylvania to maintain law and order in industry. . . . Since the beginning of the coal strike innumerable examples have come to light of brutalities and illegal arrests of miners living in closed company towns and company houses, or of miners out on strike. The president of the United Mine Workers of America presented 250 affidavits of such cases to the Senatorial Investigating Committee. . . . The ruthlessness of the coal and iron police system is so apparent, however, that many others have protested. United States Senators expressed amazement that such an institution should be tolerated by an American commonwealth, and newspapers of the State have constantly called for change.<sup>178</sup>

1931

The Harlan County coal fields constitute an armed camp, with miner arrayed against operator and law officers. There has been an extraordinary amount of violence since May, on both sides. Miners and their families have been cowed and intimidated by mine guards sworn in as deputy sheriffs and paid by the coal companies. Coal property has been destroyed. Tipples have been burned, head mine houses dynamited, a miners' relief soup kitchen, supported by Communists, was blown to bits by an explosion and union sympathizers have been beaten up and driven from the county. The court records are filled with charges and counter-charges of intimidation and lawlessness.<sup>179</sup>

1932

Guns are the most conspicuous of these weapons, though I doubt that they are the most effective. Since the War I have never seen so many guns as are now displayed in Bell County. Driving into Pineville gave exactly the same

feeling as driving northward from a French railhead, in 1917, toward the front-line trenches. There was an armed force of deputies waiting to meet us at the city line. There were other deputies mingled with the crowd of miners that had gathered in the courthouse square. We stopped outside the office of W. J. Stone, the local attorney for the miners, and went upstairs to consult with him. "Don't stand too near the window," someone said. "They've got needle guns pointed this way." I looked across the street. In the third story windows of the courthouse, commanding the crowd of miners below us, I could see the black muzzles of machine guns. I began to feel that bringing food to the Kentucky miners was like picking daisies in No Man's Land.<sup>180</sup>

1932

Twice in the last few months *The New Republic* has called attention to the orders issued by the high command of the Illinois National Guard in a manual entitled "Emergency Plans for Domestic Disturbances." The emphasis upon the provision of "an ample supply of ball ammunition," and the order, "Never fire over the heads of rioters. The aim should be low, with full charge, ammunition and the battle sight," etc., seemed to us dangerously provocative directions for young soldiers whose primary duty is to keep the peace.<sup>181</sup>

Scores and scores of these snapshots could easily be assembled, and the effect of such testimony is overwhelmingly impressive. The competitive system pits employer against employer, worker against worker, employers against workers, and modern industry has become a battleground. Mr. Louis Adamic has brought together an immense mass of data in a highly disturbing volume, *Dynamite: The Story of Class Violence in America*. In a series of summarizing sentences, Mr. Adamic says: "What is most important in this connection is the fact that the class struggle, growing continually fiercer in the last half century, with long spells of unemployment and low wages, has driven or induced numerous workmen, or boys who under better conditions would have become workmen, into the criminal class . . . One does not have to be a prophet, to see that the fiercest part of the class struggle in the United States is yet to come."<sup>182</sup>

In this connection, Norman Thomas says: "It is true that the record of labor violence in American labor struggles on both sides is grim, yet Mr. Adamic would have given a fairer picture in *Dynamite* if he had pointed out that the whole labor struggle in England and America since the beginning of the industrial revolution, a struggle against the most abominable exploitation, has thus far been carried on with only a tithe of the violence which marked a single day when all was quiet on the western front. It is the glory of the labor movement that it has gone as far as it has in perfecting a comparatively non-violent means of struggling for justice by the strike. Hope lies in developing such means of resistance."<sup>183</sup>

## Chapter V

### A SOCIALIST PROGRAM OF DELIVERANCE

CAPITALISM appears intolerable and indefensible when judged by high ethical ideals. To accept and defend its injustices and cruelties is to admit intellectual paralysis and moral bankruptcy. An economic and social revolution is imperatively demanded. The language of the Declaration of Independence needs to be repeated: "We hold these truth to be self-evident . . . That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness. Prudence, indeed, will dictate that Governments long established should not be changed for light and transient causes; and accordingly all experience hath shewn, that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed. But when a long train of abuses and usurpations, pursuing invariably the same object evinces a design to reduce them under absolute Despotism, it is their right, it is their duty, to throw off such Government, and to provide new Guards for their future security." It was not a radical agitator, but Abraham Lincoln who, in his message of March 4, 1861, said: "This country, with its institutions, belongs to the people that inhabit it. Whenever they grow weary of the existing government, they may use their constitutional right to amend or their revolutionary right to overthrow and dismember it."

The objectives of the Second American Revolution, or Third one if the abolition of slavery be regarded as the Second Revolution, are the ending of exploitation, the abolition of poverty and the raising of the general standard of living to new heights, the removal of disproportionate privilege and luxury, the bridging of the chasm between the rich and the poor, the prevention of industrial and inter-

national enmity and warfare, the releasing of socially productive incentives in the individual, the provision of ample leisure and education for its proper utilization, and the laying of foundations—material, intellectual, emotional and moral—upon which to build the good life for all people.

### 1. *Class Struggle Versus Class War*

Whether or not the forthcoming revolution is to be warlike will be determined by the wisdom and courage and promptness with which the American people set themselves to the task of abolishing capitalism and replacing it with a collectivist society in which the extremes of luxury and poverty have been eliminated. The Communist view is that the present system can be overturned only by violence. Communists maintain that the present holders of property and privileges will not yield voluntarily, and that power must be taken from them by armed action. This thesis will be explored more fully in a subsequent section, where I point out the enormous difficulties, if not actual impossibility, of securing sufficient revolutionary support for the forcible expropriation of the holding class in the United States. *My religious pacifism is too deep-rooted to permit me to sanction or support warlike means of attempting to create a new society.\**

I am equally convinced, however, that it is futile to rely exclusively upon persuasion as a method of limiting privilege and power. A mighty struggle on the part of the victims of capitalism will be required before they can climb to the level of freedom and plenty. The fortunate few quickly accustom themselves to their privileged status, and with equal ease take it for granted that the multitude of people must always live on a far lower level. The rich dwell in an atmosphere which makes it almost impossible for them to comprehend the misery of the masses, and it is a rare employer indeed who is able to see vividly through the eyes of his workers.

The wielding of power has a blinding effect. For a slave owner to understand the significance of the economic order out of which emerged his privileges, prestige and power was a near-miracle. Even men of high intelligence and devout spirit failed to see the inherent cruelty of the slave system, but considered it beneficent, some of them believing it to be ordained by God. That the mass of peasants and workers should remain serfs was considered a self-evident neces-

\* See page 320ff.

sity by feudal lords, lay and clerical. The devout churchman Judge Gary was sincerely convinced that the twelve-hour day, seven-day week, and low wages for unskilled workers were unavoidable, and therefore he became insensitive to the injustice and cruelty of the system which enabled him to live luxuriously on Fifth Avenue. When asked whether or not \$10 a week was a proper wage for a worker, the elder J. P. Morgan once replied: "If that's all he can get and takes it, I should say that is enough."<sup>1</sup> That this attitude has not disappeared is indicated by the collapse of wage schedules during the past four years. In the summer of 1932 an article in a religious journal entitled: "Wages Are Too High" began with this sentence: "Among American business men the view is now almost unanimous that 'wages must come down.'"<sup>2</sup>

When Henry Ford announced in 1914 that the lowest wage for any adult in his factories was to be \$5 per day, he was acclaimed as a philanthropist, and judged by contemporary wage rates he was extremely generous. Yet, according to the computation of his colleagues, the raising of the minimum to this level cost just ten million dollars per year, out of the countless millions that were pouring into his own pockets. Many kindly and public spirited employers thought Mr. Ford was making a terrible mistake and would throw the labor market into chaos. So accustomed was the employing class to subsistence wages for the workers that the *New York Times* said editorially: "The theory of the management of the Ford Company is distinctly Utopian and runs dead against all experience . . . We think the weight of opinion will decidedly incline to the side of doubt, or to prophecies of certain failure for the experiment so manifestly based upon a vision of universal human uplift through a single venture in the field of beneficence."<sup>3</sup> Distinctly Utopian for a highly profitable industry to pay barely enough to enable a worker to support his family in minimum comfort!

The blindness of the owning class is also well illustrated in an address by the President of the New York Stock Exchange. "We are seeing today," said Mr. E. H. H. Simmons in 1926, "a democratization of American industry and finance alike in this steady tendency of the employees and consuming public at large to become capitalists in their own right . . . it must be apparent to us all that today we are merely entering a new era in which the benefits of the capitalistic system are becoming practically universal, and when the system itself is by force of this fact becoming animated by a spirit of broad and

genuine democracy." <sup>4</sup> Benefits practically universal when only one adult out of ten receives an income high enough to bring him within the category of income-tax payers! Broad and genuine democracy, when 2,000 directors dominate 200 corporations that control more than one-third of the business wealth of the nation!

Another illuminating example is afforded by an address of the General Counsel of the Pittsburgh Clearing House Association and Pittsburgh Chamber of Commerce. In speaking to the American Bankers Association in Houston in 1927, the Honorable James Francis Burke exclaimed: ". . . we are passing through an industrial and social revolution and the glory of it all lies in the fact that it is a peaceful one. God's children are not being crucified head downward upon a cross; no torture chambers are emitting cries of pain; no bastiles are being stormed by angry mobs; no streets are lined with gibbets; no rivers are running with blood—but a revolution born of cooperation, of light and love is scattering the fruits of prosperity and the flowers of enduring peace as it travels on. Vicissitudes, have we—yes. Sorrows, have we—yes. The lingering of disease—yes. The penalizing shame of sin—yes. The humiliating handicaps of ignorance—yes. But all of these are constantly decreasing as the days go by, for with every hour the magic touch of men's genius is lifting our burdens; plagues are passing away; sin is casting a smaller shadow. An all-conquering science is alleviating human suffering and prolonging man's days on earth. With every sound of the school bell ignorance is disappearing, while the chimes from the church towers on every highway are telling the world anew of a closer brotherhood among men." <sup>5</sup>

The slave owner often believed himself to be an unselfish benefactor of his chattels, and so it is today with men who are skimming the cream off the products of industry. It was Mr. Samuel Insull, whose name is not unknown to the American public, at least to the investing portion of it, who said: "I am engaged in the public-utility business for profit, but it affords me great satisfaction that in making a profit I can render a real service to the state . . . The money-making side of it is merely incidental . . . as one grows older, the bigger and the more impelling thing, the thing that spurs us on to keep still at it, is the sense of responsibility to those who work with us, and the pleasure of leadership in our work with them . . . We are getting our incomes from the communities; we are depending on them for our success, and therefore, the wise thing for

us to do, from the point of view of the narrowest self-interest, is to take them into our confidence and treat them with absolute fairness . . . the great public-utility business of the country, as a whole, are not over-capitalized.”<sup>6</sup> Absolute fairness! Not over-capitalized! And the wreckage of his empire cost the investors 700 million dollars!

A sentiment expressed by Andrew Carnegie many years ago is still prevalent on the boulevards. “The question of the distribution of wealth is settling itself rapidly under present conditions, and settling itself in the right direction. The few rich are getting poorer, and the toiling masses are getting richer . . . Whether the millionaire wishes it or not, he cannot evade the law which under present conditions, compels him to use his millions for the good of the people . . . truly the modern millionaire is generally a man of very simple tastes and even miserly habits. He spends little upon himself, and is the toiling bee laying up the honey in the industrial hive, which all the inmates of that hive, the community in general, will certainly enjoy.”<sup>7</sup>

A prominent American banker in 1928 declared that “the people of America have more money than they know what to do with . . . Today, in America, poverty in the true sense is practically unknown.”<sup>8</sup> While Professor Carver of Harvard wrote: “We are approaching equality of prosperity more rapidly than most people realize. What is equally important, we are working out this diffusion of prosperity for all classes without surrendering the principle of liberty which is embodied in modern democratic institutions . . . We are on the way to becoming a nation of capitalists.”<sup>9</sup>

Many an employer who is living luxuriously on the proceeds of sweated labor is entirely conscientious in his hostility toward labor unions. It is easy for him to assume that his own interests and those of society are practically identical and that any practice which is detrimental to him is harmful to the community. We are always alert to the faults of those who oppose us, and business men are keenly aware of the weaknesses and dangers inherent in the trade union movement. Devotion to the American Plan, or open-shop movement designed to crush organized labor, is often genuine, and many an industrialist really believes himself to be a public servant when he opposes the effective organization of his employees. Self-deception is at least as easy to fall into and far more menacing than conscious hypocrisy. To leave the control of production and dis-

tribution in the hands of owners is to weld more securely the chains of the workers.<sup>10</sup>

Mr. John E. Edgerton, President of the National Association of Manufacturers, in addressing the American Bankers' Convention in Chicago, referred to "the so-called Child-Labor Amendment" in these words: "It is dangerous because it has the voice of Jacob but the hand of Esau presenting a rose that enfolds a tarantula. . . . By the prompt advantage which would be taken of its provisions, it would release from profitable, healthful, and otherwise helpful employment of thousands of robust young Americans in communities with inadequate educational facilities and force upon vast numbers an idleness hurtful alike to themselves and to society. It is the illegitimate expression of perverted love for child-men and child-women that could find, if it would, more helpful, even if more inconvenient, methods of serving its ends." Mr. Edgerton is a deeply religious man, and half of the address from which I have quoted is a lay-sermon. He inquired of his banker audience: "In your church life, if you have any, what are your habits? . . . Are you professing one thing and living another? . . . Do you measure your conduct towards them by the Golden Rule or the silver rule? . . . The Bible of our fathers, around which our civilization was started, is being driven out of our schools. . . . We simply cannot become a happier people until we become a better people."<sup>11</sup>

Dr. James Roscoe Day, for many years Chancellor of Syracuse University, reflected brilliantly the attitude of countless business men toward labor organizations. In a volume entitled *My Neighbor the Workingman*, this outstanding educator and religious leader wrote: "Our workingmen have no oppressors to be delivered from; and if they had, they have the ballot, the most effective weapon the world has ever known. . . . It is a great fallacy for laborers to pose as a downtrodden and abused class. Whining never made manhood. . . . We charge that the labor union is founded upon principles directly opposed to the principles of our government, and that every day these two sets of principles are in conflict and our national principles are defied and trampled upon. . . . There is scarcely a thing in the labor union that is American or that justifies a claim upon Americans to a place among them. . . . The strike is a conspiracy and nothing less. . . . Public sentiment is rapidly changing toward the character of a strike as something unnecessary and dangerous to the community. . . . No peril so serious has threatened



our country as impends at this hour. The Civil War was a small affair in comparison with the massing of millions of our citizens in a selfish combination to put their interests before all others, to push into second place all manufacture and all trades and all transportation, and set aside the representative government itself. . . ." The Chancellor then proceeded to enumerate twelve reasons why the strike should be absolutely forbidden. And as for socialists, Dr. Day felt impelled to say: "The destructive socialist serves no purpose. He has not the excuse for being a wild animal or a venomous scorpion. He is a blighted, an atrophied, a distempered, a contagious attempt at a man, the most deplorable and disheartening which the world has ever seen. Along some dim line he may have been a man once, but the perversion has been so prolonged and persistent that all resemblance to God's work has long since ceased." And this volume was launched by a Methodist publishing house!<sup>12</sup>

Chancellor Day's fear of trade unionists and radicals is characteristic of the attitude of vested interests toward innovators, and constitutes a primary reason why persuasion is inadequate and incomplete as a means of securing justice. Out of an endless array of evidence, let us select certain utterances on the part of respectable and devout men directed against William Jennings Bryan in the days when the latter was regarded as a wild man from the West. It was Teddy Roosevelt, later to become the idol of America, who shrieked: "Messrs. Bryan, Altgeld, Tillman, Debs, Coxey and the rest have not the power to rival the deeds of Marat, Barrère, and Robespierre, but they are strikingly like the leaders of the Terror of France in mental and moral attitude." In the same address, the future President warned his hearers that the nation was confronted with the greatest menace since the Civil War, and that Bryan and Altgeld embodied "the negation of the two commandments, 'Thou shalt not steal' and 'Thou shalt do no murder.'" In explaining why he refused to meet Governor Altgeld, Roosevelt declared: "I speak with the greatest soberness when I say that . . . the sentiment now animating a large proportion of our people can only be suppressed, as the Commune in Paris was suppressed, by taking ten or a dozen of their leaders out, standing . . . them against a wall, and shooting them dead. I believe it will come to that. These leaders are plotting a social revolution and the subversion of the American Republic."<sup>13</sup>

The platform upon which Bryan ran in 1896 was so abhorrent

to the Reverend Cortland Myers, of the Baptist Temple in Brooklyn, that he exclaimed: "I must be heard and will be heard against all dishonesty and anarchy and kindred evil. I love the blood-stained banner of the Cross and it is in danger. I must speak every Sunday from now on, until November. I shall denounce the Chicago platform. That platform was made in Hell." The New York *Tribune* denounced Bryan in this fashion: "He was only a puppet in the bloodstained hands of Altgeld, the anarchist, and Debs, the revolutionist, and other desperadoes of that type. . . . He goes down with the cause and must abide with it in the history of infamy. He had less provocation than Benedict Arnold, less intellectual force than Aaron Burr, less manliness and courage than Jefferson Davis. He was the rival of them all in deliberate wickedness and treason to the Republic."<sup>14</sup>

Moreover, we must reckon on not only blindness and illusion, but also on fear and paralysis. Even within the small company of the elect who recognize the inhumanities inherent in the present social order, there is widespread timidity and impotence. For a financier or industrialist to evaluate critically the system out of which he secures wealth and prestige and to commit himself resolutely to the task of transforming it into a radically different economic order requires courage of a higher quality than is possessed by most persons, even though they have good intentions. Indeed, the trouble is much more deep-rooted because of the inherent difficulties confronting a man who seeks to conduct his business on an equitable basis under present conditions. To pay really adequate wages is for many a business man now impossible because of the ruthlessness of the competitive struggle.

The evidence is therefore cumulatively convincing that justice and freedom will not be handed down from above to the multitudes. Heavy pressure must be applied if the owning class is to disgorge its special privileges and relinquish its excessive power. The future welfare of the American workers will be determined primarily by their success or failure in discovering and applying non-warlike coercion. Socialists, in contrast to Communists, believe that this is possible of achievement. "Granting that the majority of an owning class," writes Norman Thomas, "will not give up power and privilege without a struggle, struggle does not necessarily mean war. In history there has been no proportion between the amount of violence and its significance in social change. Chattel slavery was abolished

everywhere except in the United States without war. Moreover a ruling class does not do its own fighting. When it has to, it abdicates—like King Alfonso of Spain—or makes a sorry show. The more general is the acceptance of the revolutionary philosophy of socialism the less need there will be of violence. If we can really unite workers with hand and brain to see their true interest or even to acquiesce in it without supporting their masters, our struggle will be easily won.”<sup>15</sup>

## *2. Triple Organization of Workers, Consumers and Voters*

Incalculable power is potentially available to the masses whenever they awaken from their long stupor. If they were only alert to the possibilities before them, they could transform the present economic order into an equitable commonwealth without firing a shot or exploding a bomb. If the workers by hand and brain would organize universally in three capacities, as producers, consumers, and citizens, they would be able to abolish the profit system and establish in its place a Socialist order which would make the proceeds of industry available on approximately equal terms to all the people.

Labor organizations are imperatively demanded if the excessive power of the owning class is to be curbed. The necessity for collective bargaining on the part of the workers is recognized by practically all serious students of industrial problems and acknowledged at least in principle by most employers. That an isolated employee of a billion dollar corporation, or even a million dollar company, is practically at the mercy of its officials is obvious. Yet employers as a class in the United States have strenuously endeavored to prevent the formation of effective labor organizations. Frequently they have taken the initiative in establishing company unions within their own walls, and have maintained that employee representation of this character was adequate and that no negotiations would be conducted with representatives of national unions. Surely it is apparent, however, that company unions are almost completely under the thumb of the corporation and are practically useless as instruments of justice for the workers. Indeed, such unions or councils are an actual hindrance because they render still more difficult the organization of the workers into powerful units that cover the industry and the nation.

The dogmatic assertion is warranted that *capitalism cannot be*

*abolished and socialism established without the sustained activity of organizations of labor that embrace a substantial portion of all the workers.* Radical political action will prove to be inadequate unless it rests upon the solid foundation of organized labor. And the workers must not only be well organized, they must keep clearly in view the goal which they are seeking. A primary weakness of the trades union movement in the United States has been its opportunistic tactics and its lack of an adequate objective. Labor struggles in this country have been concerned chiefly with wages, hours of work, working conditions, and the right to organize. With few exceptions, the unions have been composed of skilled and semi-skilled workers, and their objectives have been chiefly the improvement of their own welfare. As a rule, American trade unionists have accepted capitalism as a desirable economic system and have struggled merely to secure a larger share of the proceeds for themselves. Only half-hearted efforts have been put forth to organize the unskilled workers, and only a feeble endeavor has been made to overthrow the capitalist system.

The American Federation of Labor has won notable victories for the skilled workers in certain trades, but as the leader of organized labor in the United States its strategy has been tragically inadequate and unwise.<sup>12a</sup> Its officials, with few exceptions, are conservative men who receive substantial salaries and wield considerable power, and who have therefore much to lose beside their chains. The organized workers have absorbed so much of the spirit of individualism and adopted so many capitalistic methods that their record is soiled by many blunders and some crimes. Down to date, organized labor in the United States has made only a pathetic contribution to the task of undermining capitalism.<sup>13a</sup>

There are indications, however, that a rapid change of front is occurring. With the passing of the pioneer conditions which played so dominant a role in the formation of labor's attitudes, there is reason to anticipate the emergence of a powerful radical movement among workers. The labor provisions in the National Industrial Recovery Act offer the trade union movement an unparalleled opportunity to enlist millions of additional workers within its ranks. The law requires that the various industrial codes shall include the following conditions: "It is recognized (1) that employees shall have the right to organize and bargain collectively through representatives of their own choosing and shall be free from the inter-

ference, restraint or coercion of employers of labor, or their agents, in the designation of such representatives or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection; (2) that no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing." The workers could make no more serious mistake than to conclude that the NIRA guarantees them a fair share of the proceeds of industry. This act will become a lever or a chain just in proportion as the workers organize for the assertion of their rights.

At any rate, we may be sure that progress toward socialism will be slow until millions of workers are organized in unions that are not seeking merely to increase wages and decrease hours of labor, but are also struggling for radical changes in the present economic order. Every true Socialist, therefore, recognizes the supreme importance of radical labor organizations.

*The consumers' cooperative movement* is another important instrument of social change. It seeks to abolish the profit system in the distribution of commodities and services. The more successful societies operate on a democratic basis of one vote per person irrespective of the amount invested in the enterprise. Cooperative stores usually charge current market prices, and a portion of the surplus is returned to members in accordance with the ratio of their purchases, a portion is devoted to educational or other community projects, and a portion used for propaganda purposes. The total membership of cooperative societies throughout the world is now in excess of 70 millions, of which more than half are found in Soviet Russia. The annual turnover of the 110,000 cooperative stores in the Soviet Union exceeds 19 billion rubles.<sup>14a</sup> The Russian cooperatives conduct 66 percent of the retail business and 56 percent of the wholesale trade. The cooperative societies of Great Britain and Ireland do a retail business of more than a billion dollars annually, and nearly one-half of all the heads of families of the nation are members.<sup>15a</sup>

In the United States the cooperative movement has never reached the dimensions attained in several European countries. The spirit of individualism has been so predominant that the American people have not yet realized the tremendous possibilities of a movement which eliminates profit in the distributive trades. The membership

of the American cooperatives is now about 135,000, enrolled in 145 local societies.<sup>16</sup>

Decades of experience in many countries make it clear that the cooperative movement is not as significant as the labor movement or as radical political parties, but as a supplement to the organization of workers and of voters, the organization of consumers possesses great significance.

It is imperative that citizens who desire the radical transformation of the present social order be organized in a *political party* which is committed to that struggle. The leftward swing of the Democratic Party under President Roosevelt has strengthened the conviction of many liberals that it is more effective to work inside one of the major parties, rather than to attempt the difficult task of overcoming American prejudice to the word "socialist" and the reluctance of the American voter to "throw away his vote" by supporting a party which has no chance of winning a given election. Such persons express the opinion that President Roosevelt has stolen much thunder from Socialists and has accomplished more in a few months than a separate party of Socialists could have achieved in many decades.

In order to grasp the real significance of the Administration's program, we must inquire into the objectives of its leaders. And the answer can only be—the stabilization of capitalism. President Roosevelt is far from being a Socialist, and his chief advisors are liberals, not radicals. They desire to remove the excesses of capitalism—abolish sweated labor and prevent child labor, raise the minimum wage to a level which permits decency of living, reduce working hours so that unemployment may be reduced, increase purchasing power so that the wheels of industry may be kept moving, prevent bank failures, lift the price level, give the farmer an even break with the urban population, and similar objectives. Socialists find themselves in hearty agreement with many of the Administration's proposals, but do not desire the strengthening of capitalism so that its life will be prolonged indefinitely. They are striving to create a new system, not to prop up an old one, and that is why they are convinced that it is absolutely necessary to function through a political party which is dedicated to such a purpose. The Democratic Party can go only a limited distance in transforming capitalism, and there is no basis whatever for the belief that it may become an effec-

tive agency of socialism. And, of course, the Republican Party is the bulwark of conservatism and reaction in this country.

Should persons who desire the coming of a genuinely socialist society support the Socialist Party of America, or the Communist Party, or endeavor to create a new radical party in this country? For me the second of these possibilities is ruled out, for reasons which I shall outline in a later section.\* My judgment is that it is more effective to join the Socialist Party and work within its ranks, in spite of its many weaknesses, than to undertake the enormously difficult task of building a new radical party from the ground up.

### 3. *Educating for an Equalitarian Society*

On three grounds—economic, political, and ethical—approximate equality of economic privilege is desirable.<sup>17</sup> Maldistribution of income is a primary cause of the prevailing economic depression. Too much money has been appropriated by the owning class, while too little money has gone to the workers. The result is congestion at the top and scarcity at the bottom. While the fortunate few have far more income than they can use or even invest profitably, the stricken masses lack the means to satisfy their elementary needs. And the woeful lack of purchasing power on the part of the multitudes prevents commodities from being sold and therefore the wheels of industry have slowed down, and in many plants become entirely motionless.

Another way of accounting for our economic distress is to say that too much money has been saved and not enough money spent. The small proportion of the total population whose income exceeds its ability to buy consumers' goods has received such vast returns in profits, dividends, and interest that the sums on hand cannot be profitably invested. And because such a disproportionate share of the proceeds of industry has gone to the owners, the percentage left for the workers, that is the great consuming public, is so inadequate that they are unable to buy back the goods they have produced. Thus we are confronted with the appalling paradox of idle dollars and idle factories and idle men. The detailed evidence is extremely impressive.

The situation is thus vividly described by *The Business Week*. "Just now dollars by the billions are on the headline in every finan

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\* See page 200ff.

cial center in the world, just as men by the million are idle in industrial centers. In the Federal Reserve banks alone there are half a billion of them, called excess reserves, getting a free lodging for the night and not doing a lick of work or earning their keep, and for every one of them there are ten loafing among the ledgers and idling amid the adding machines of the member banks. Most of these dollars are living on a handout. The banks can't afford to pay them much because no jobs can be found for them at the old rates, and it is likely their dole will be cut down some more shortly."<sup>18</sup> An article in *The American Bankers Association Journal* discusses the excess reserves of corporations under the title "A Billion Idle Dollars."<sup>19</sup>

So saturated is the money market that rates of interest have fallen to unprecedented levels. *The Financial Chronicle* speaks of "abnormally and even absurdly low figures. . . . Thus we have three successive bill issues, each establishing a new low record, and all of them at rates so diminutive that the proceeding becomes absolutely farcical. . . . As things are now going, the United States should soon be able to borrow at no cost whatever."<sup>20</sup> In December, 1932, the Federal Government desired to borrow 350 million dollars for four years, and set the rate of interest at  $2\frac{3}{4}$  percent per year, and 250 millions for one year, at  $\frac{3}{4}$  percent. And whereas the Government desired to borrow 600 millions at these extremely low rates, the total amount offered by investors was nearly 11 billion dollars—\$10,806,061,000 to be exact!<sup>21</sup> The rate on 90-day loans actually dropped as low as one-tenth of one percent per year. Time after time the Government has borrowed all the money it wanted at rates varying from one-tenth of one percent to one-fourth of one percent annually.<sup>22</sup> In June, 1933, the New York Clearing House issued a ruling to the effect that the interest rate on time deposits must be limited to one-half of one percent per year.<sup>23</sup>

*There can be no economic health in this country until billions of the money now going to the owning class are diverted into the pockets of the consuming workers.* Excessive incomes cannot now be wisely spent or invested. For many decades in the United States there was a shortage of capital, but that day has passed. The pioneer stage is ended. The demand for new railroads, new factories and new mines is slowing down, and never again will there be a need to devote so large a proportion of the national income to expansion. Moreover, it is no longer profitable for citizens of this



country to invest a billion dollars a year in foreign lands, as was done during the decade following the World War. The large incomes cannot be spent for consumers' goods, they cannot find profitable fields of investment at home, and it is unsafe to invest large sums abroad. So billions of dollars are loafing around the vaults. If this money had gone to the workers in the form of higher wages and salaries, the present economic plight of this country would have been avoided.

If the national income were divided somewhat equally among all the families of the land, the capital sums required for replacement and expansion of industry could easily be secured from three sources: small investments by millions of persons whose standard of living would be raised sufficiently to permit modest savings; by withholding from distribution adequate sums for depletion and new construction; and especially by public control of banking and credit, which I shall discuss more fully in a later section.\* The problem is no longer how to secure capital for new equipment, but rather how to make available the purchasing power needed in order to make possible the consumption of the output of the modern machine. And the only solution is to reduce sharply the incomes of the rich, and to increase substantially the wages and salaries of the workers. Thus it is apparent that economic wisdom demands that we travel the road toward approximate equality of income.

How far should we go? Shall we commit ourselves to the principle of *absolute* equality of wealth and income for every person? Or shall we say that the maximum income ought not to be greater than \$1,000,000, or \$100,000, or \$10,000? My own answer is that we should move as rapidly as possible in the direction of equality, and be guided by experience as we travel. For many decades to come we will not be confronted with the practical necessity of deciding just where to draw the line, for the obvious reason that, in spite of all our efforts, this generation of Americans will not arrive anywhere near equality. The practical procedure for us, therefore, is to present in convincing fashion the arguments—economic, political and ethical—in support of equality, and strive in every legitimate way to transform society in accordance with this ideal, and leave it to experience to determine just how far to go. I am free to say, however, that my present judgment is that, so long as masses of people are condemned to privation, no individual should

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\* See page 155ff.

be permitted to receive an annual income of more than \$20,000, and there are frequent intervals when I am inclined to set the figure at \$10,000.\*

There are imperative *political* reasons also why we should strive to equalize economic privilege. Throughout our history we have believed in democracy, one man one vote, and equality before the law. We have vainly imagined that democracy would guarantee justice and equality of opportunity to all the people. But the evidence is now inescapable that political democracy is frustrated by economic oligarchy, and that we must either satisfy ourselves with less political freedom, or take steps to limit drastically the concentration of financial power. The only cure for the ills of democracy is more democracy over wider realms.

It is stupid to speak of equality of opportunity when one individual inherits luxury beyond desire and another is born into squalor. Defenders of capitalism have been blind when they have maintained that it has afforded every man an equal chance with every other man. Thus President Hoover, in his address of June 15, 1931, maintained that "our American system . . . holds that the major purpose of a state is to protect the people and to give them equality of opportunity." Vast inequality of privilege and power utterly destroys equality of opportunity. Certain opinions expressed by former-President Hoover, in his Valley Forge address, might appropriately have been cited when we were illustrating the blindness of the owning class, but they are perhaps equally relevant at this point. "Idealism was forged into the souls of the American people by the fires of the Revolution," he said. "It is this quality of spirit which has made possible the success of our great democratic experiment. It has tempered our acquisitiveness [believe it or not], has strengthened our sense of civic responsibility, and has made service to fellowman a part of our national character. . . . Amid the scene of vastly growing complexity of our economic life we must preserve the independence of the individual from the deadening restraints of government, yet by the strong arm of government equally protect his individual freedom, assure his fair chance, his equality of opportunity from the encroachments of special privilege and greed or domination of any group or class."<sup>24</sup> Now the serious part of such an utterance is found in the fact that Mr. Hoover really believes

\* See pages 142, 145ff.

what he says. Somehow he has become blinded to the exploitation and oppression inherent in a system of vast inequality of power.

Citizens who seek the prevention of fratricidal class warfare in the United States should do their utmost to limit large incomes. The concentration of economic power means that the units of industrial conflict will become more titanic in size and destructiveness, and when the rapidly diminishing confidence of the workers in the capitalist system reaches the zero level, they are likely to rise in desperation. The ominous nature of the situation is pointed out in a recent article in *The American Bankers Association Journal*. "We cannot conceive any more delicate situation from the standpoint of industrial peace and welfare," writes Bertram O. Moody, "than a corporation with millions of dollars in its treasury telling its employees that they must work at lower wages if the company is to operate at a profit. . . . No surer method of breeding unrest and Communism can be found anywhere than a widespread policy of shortsightedness on the part of corporation directors in their attitude toward labor."<sup>25</sup> Rapid movement in the direction of equality is a condition of industrial peace.

*The economic and political arguments in support of substantial equality of income rest upon a granite-like foundation of ethical principles.*<sup>26</sup> There is no moral justification whatever for a few citizens to dwell in extreme luxury while the majority of their fellowmen endure privation. Mutuality is an intrinsic element in all high religion. Love toward God and love toward neighbor, the two great commandments, are flouted by those persons who justify extreme luxury in the midst of sordid poverty. The writer of the book of James long ago characterized this type of religion when he said: "My brothers, what is the good of a man's saying he has faith, if he has no good deeds to show? Can faith save him? If some brother or sister has not clothes and has not food enough for a day, and one of you says to them, 'Goodbye, keep warm and have plenty to eat,' without giving them the necessities of life, what good does it do? So faith by itself, if it has no good deeds to show, is dead."<sup>27</sup>

It was a wise man who observed long ago that the love of money is the root of all kinds of evil. While the desire for sufficient income to procure the basic necessities of life is not in the same category with the struggle for privilege and power, far too large a

proportion of the energies of Americans has gone into the fight for riches. Living as we do in an economy of plenty, where the problem is not how to increase production but rather how to dispose of the product of the modern machine, it should no longer be necessary for individuals to exhaust themselves in securing a livelihood. If men were only willing to abandon the struggle for excessive private gain and cooperate with their fellows in a common endeavor to produce plenty for all, only a fraction of their energy would be thus consumed. Under the drive of the competitive struggle, men spend too much time in the kitchen of life, and not enough time in the conservatory and library and chapel. The passion for superior possessions is responsible for most of the dishonesty and cruelty of modern life. Keeping up with the Joneses calls for such strenuous efforts that multitudes of individuals are crashing under the strain, and an appalling number of them are committing suicide. If men would only awaken from their nightmare and recognize each other as brothers, the joy and radiance of living could be lifted to rare heights never glimpsed by persons engaged in a frenzied scramble for privilege and power.

The case for equality is enormously strengthened by the fact that many of the great fortunes were gained through anti-social if not unscrupulous methods.\* Most of the rich men of the country secured their wealth in one or more of the following ways: control of natural resources—oil, coal, iron ore, copper, timber; ownership of land and appropriation of the unearned increment due to the rise in values; speculation and manipulation of the stock market and grain market; governmental privileges in the form of franchises or tariffs; exploitation of the workers through low wages and long hours; inheritance. For every person who gained riches primarily through ability that was socially beneficial, or through thrift, ten men or one hundred men climbed the ladder of wealth in one of the ways indicated above. And every rich man is debtor to his workers, his government, his community, his customers and clients. A genuinely self-made millionaire is found only in volumes of fiction. Thus it is evident that the degree of injustice involved in restricting the privileges of the rich is infinitesimal in contrast to the monstrous injustice of permitting a fortunate few to skim the cream off the wealth produced by all.

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\* See pages 14, 83ff.

#### *4. Releasing Dynamic Incentives*

That socialism would destroy initiative and remove the incentive to efficient labor is an argument frequently advanced. Supporters of capitalism usually maintain that the profit motive is absolutely essential to industrial progress, and that the desire for private gain is the most powerful of economic urges. Socialists, therefore, are obliged to meet squarely this charge if they expect to gain adherents to their cause. Fortunately, no aspect of their case can be stated more convincingly than the question of motivation under socialism. The incentives relied upon by Socialists may be classified under eight headings :

1. The receipt of an equitable wage or salary.
2. The enjoyment of responsibility and power.
3. The winning of social approbation.
4. The thrill of group rivalry.
5. The enjoyment of security.
6. The avoidance of social disapproval.
7. The escaping of social penalties.
8. The propulsion of patriotism and duty.

Before discussing these incentives in detail, it is desirable to point out a major fallacy underlying the popular estimate of the profit motive. Less than two percent of the adults in the United States is now spurred by the receipt of profits, if that word is used with any accuracy whatever. Millions work harder and more efficiently in the hope of securing higher wages and salaries, but the number of Americans who obtain their livelihood primarily from profits, including dividends and interest, certainly does not exceed 1,000,000. In the prosperous year 1929 the number of persons in the income groups which received more than half of their income from sources other than wages and salaries was 790,475.<sup>28</sup>

Moreover, the company of those who regard high salaries, say from \$10,000 upward, as being within the bounds of reasonable possibility for them does not embrace more than 1,000,000. In 1929 the total number of persons in the United States filing income tax returns was only 4,044,327, and of these only 374,032 reported incomes as high as \$10,000 for the year.<sup>29</sup> It is apparent, therefore, that members of these two groups total considerably less than two millions. And even the four millions who filed income tax returns

constitute less than seven out of every hundred adults in this country. Under present circumstances, therefore, *not more than 3 percent of the adults of this country have any chance to enter the \$10,000 class.* And of the 29 million heads of families, not more than one out of 14 has any possibility of entering the charmed circle.

But the rejoinder is certain to be made, the small company on the upper financial levels are responsible for industrial progress, and the destruction of their initiative would paralyze our economic life. This observation calls for an examination into the motives of successful men. It is soon discovered that no single drive is responsible for their energy. At least four or five of the incentives listed above play a part in spurring forward these industrial leaders. It is reasonable to assume, therefore, that the reduction of their financial income to \$20,000 or \$10,000 per year would not prove fatal to their initiative and energy, if they could continue to enjoy various other satisfactions. "It is simply not true, then, that the capitalist, even when he acts most capitalistically, pursues a single narrow-gauge interest," writes Professor George A. Coe. "In one and the same act several of the following phases of his mental dynamics always can be detected: family affection, family pride, and anxiety concerning security and social standing; desire for recognition in the business world; the nursing of self-conceit; loyalty to a partner; pugnacity towards a rival; enjoyment of power or of being a cause; the exhilaration of a game; the thrill of originality; pride of workmanship; the glow of self-identification with an institution, enterprise, or cause; the taking of a customer's interest as one's own; the feeling of responsibility for the welfare of employees; devotion to country. In this complex there is an implication, however obscure, of the value of oneself, of the members of one's family, and of sundry other persons. There is endeavor to be a man among men. There is, then, in the motivation of the capitalist economy a social factor of which not the faintest shadow appears in the ledger of any business concern."<sup>30</sup>

For an overwhelming proportion of the workers by hand and brain the *financial* incentives under socialism would be at least as powerful, and probably far more so, than under capitalism. If the upper limit of salaries were placed at \$20,000, or even as low as \$10,000, the desire for economic advancement would for most men have abundant opportunity of expression. Thus the talk of the paralyzing hand of socialism becomes sheer nonsense. Let it be remembered that in the early days of capitalism, the assumption was

widespread that corporate business on a large scale was impracticable because the employees would lack incentive to efficiency and economy. Thus Professor Clark points out that "in 1776 . . . Adam Smith, the most discerning of the economists, came to the conclusion that corporations never could play a very important part in this world. He said that they were not so efficient as private employers and called attention to the fact that the corporation had to be managed by a hired officer, that the stockholders cannot oversee their business and that hired managers never care for it as well as owners would do. The most painstaking manager of a business is the man who owns the whole of it himself . . . While, therefore, Adam Smith thought that there would be a few large enterprises which would require more capital than any private owner could furnish, and that these would call a few corporations into being, he concluded that there never could be very many of them."<sup>31</sup> And so today we are justified in saying that not one percent of the required initiative and energy would be lost by limiting incomes to \$20,000 per year, and the resultant gains would far more than offset any slight loss.

Indeed, a far stronger case can be made out against the payment of such high salaries. George Bernard Shaw, in his brilliant volume, *The Intelligent Woman's Guide to Socialism and Capitalism*, presents a persuasive argument for complete equality of income, and it may well be that, if tried, experience would prove this procedure to be valid. But certainly such a distribution of national income will not be possible for many generations to come. Most Socialists and Communists, including Marx and Lenin, have been and are convinced that *absolute* equality of income will continue to be impracticable, at least until an advanced stage of socialization has been reached. In Soviet Russia at the present time there are variations in wages, but the difference between the highest and the lowest is slight in contrast to the inequalities in other countries.

Under capitalism the possession of money makes possible the assumption of responsibility and the wielding of power, and as a means to this end is eagerly coveted. Beyond a certain point—and that point could satisfactorily be fixed at a maximum of \$20,000 annually—money becomes primarily an instrument of power. "Many people have a wrong idea of business men," writes Charles M. Schwab. "When I say business men, I mean big business men. Money rather than medals is their reward, but it is not for money they are working."<sup>32</sup> While Senator Boies Penrose put the matter

bluntly: "I want power. It is the only thing for which I care. I have it. I shall keep it." <sup>33</sup>

Society cannot afford to entrust vast irresponsible power to private individuals as is now done under capitalism, but in a Socialist commonwealth there would necessarily be a high degree of centralization of control and this would involve the delegating temporarily of tremendous responsibility and power to leaders of ability and integrity. Even now high public officials are inspired much more by the sense of responsibility than by the love of private gain. And if it were no longer possible to amass great wealth, more men of superior ability would seek satisfaction in administering huge public enterprises.

The acclaim of one's fellows affords intense satisfaction to the successful individual, and under socialism this stimulus would be applied to the utmost degree. Public applause would be given for meritorious services to the common cause, rather than to the accumulation of private privilege as is done under individualism. Badges and medals, parades and stirring music, praise and eulogy possess almost illimitable power in releasing human energies, and their wise use would afford a completely adequate substitute for huge financial rewards.

The spirit of rivalry may likewise be expressed in other ways than in the pursuit of monetary gain. The desire to achieve superior excellence is deeply implanted in normal human beings, and if given adequate channels of expression, would yield rich social dividends. Group rivalry is perhaps equally enthralling to most men and therefore it furnishes a powerful means of releasing the energies of the individual. Competition between the workers of two factories in an endeavor to produce more goods and better goods is an utterly different thing from competition of individual against individual for private riches. The awarding of prizes or premiums to groups, even if they take the form of monetary grants, has different social consequences than the bestowal of special economic privileges upon successful private competitors.

Individuals would respond more quickly to non-financial incentives if they possessed a sense of security. They now feel obliged to concentrate upon the pursuit of gain in order to provide adequately for their families, or to lay up a competence for old age, or to safeguard themselves against emergencies. If all individuals were adequately protected against the perils of ill health, accidents, unem-



ployment and old age, their energies could easily be directed toward other ends than the amassing of private wealth. "The lowest motives for work," wrote Walter Rauschenbusch, "are the desire for wages and fear of losing them. Yet these are almost the only motives to which our system appeals . . . Our entire industrial life, for employer and employee, is a reign of fear." <sup>34</sup>

In a memorable passage, Henry George describes the incentive of fear: "Carlyle somewhere says that poverty is the hell of which the modern Englishman is most afraid. And he is right. Poverty is the open-mouthed, relentless hell which yawns beneath civilized society . . . And thus the sting of want and the fear of want make men admire above all things the possession of riches, and to become wealthy is to become respected, and admired, and influential. Get money—honestly, if you can, but at any rate get money! This is the lesson that society is daily and hourly dinning in the ears of its members . . . To make people industrious, prudent, skillful and intelligent, they must be relieved from want. If you would have the slave show the virtues of the freeman, you must first make him free." <sup>35</sup> Under socialism the haunting fear of disaster would be removed by a comprehensive system of social insurance and by the policy of full social responsibility. Thus men would be liberated and enabled to express themselves in socially constructive ways, instead of concentrating upon the pursuit of private gain.

Then there are two negative means of securing action on the part of the individual: social disapproval, and the imposing of social penalties. Practices that are socially harmful must be made to feel the full impact of public condemnation. The display of luxury brings a feeling of pride or a sense of shame, depending upon the response from one's fellows. Social disapproval is as powerful a stimulant as social approbation, and both would be used to the utmost under socialism. Moreover, the individual who malingers, resorts to sabotage, or inflicts injury upon others, must be made to feel the sting of penalty as well as the weight of disapproval.

And, finally, there is the all-powerful incentive of duty or patriotism. Under this drive men subject themselves to every conceivable variety of danger and make every possible sacrifice. Willingness to lose self in devotion to a great cause is not an isolated phenomenon but is found almost universally among the rank and file of people everywhere. Hitherto, the sense of duty has all too often been prostituted to unworthy ends, but it affords a potential dynamic of

incalculable significance to Socialists. No intelligent observer questions the illimitable power of patriotism in wartime. Millions of living illustrations may be found in every belligerent nation. But the assumption has been general among upholders of capitalism that it is impossible to secure the same patriotic response in peacetime. However, an enormous mass of evidence is now accessible to show that in Soviet Russia the financial incentive is being replaced by a combination of other motives, all of which are gathered together in fervent devotion to the cause of communism. The testimony is practically universal that the workers in Russia are now laboring more industriously and sacrificially than anywhere on earth, and that the desire for private gain has in considerable degree been subordinated to patriotic devotion to a common enterprise.

The reader who may have doubts as to the practicability of the endeavor to minimize the financial incentive should read Professor Harry F. Ward's comprehensive interpretation of social incentives in the Soviet Union, entitled *In Place of Profit*. Dr. Ward shows that, while the economic stimulus has not been banished, it has been reduced to one of several powerful drives to action. Piecework is now general and wages vary with output. The Levellers "soon found themselves to be heretics . . . All the resources of Soviet educational propaganda were utilized in a campaign against 'equalization' which was proclaimed one of the most dangerous enemies of socialist construction. The attack on the 'Levellers' was amply supported by quotations from Marx and Lenin."<sup>36</sup> The rewards for technical services and the gains through lotteries run as high as 25,000 rubles, and an inventor may receive as high as 100,000 rubles for his creation.<sup>37</sup> That is to say, the maximum income permitted in the Soviet Union at present is in excess of the sum of \$20,000, or \$10,000 annually suggested in this chapter.

"There is now a tendency," writes Professor Ward, "to abolish the party maximum salary, which is from two hundred and sixty to three hundred rubles a month, according to sectional living costs . . . some are beginning to argue that the party never enforced the principle of maximum income as members could earn additional sums from writing and also—a professor especially—might hold two positions."<sup>38</sup> In an address before the Foreign Policy Association of New York City, Mr. Louis Fischer said: "I hope you do not think that Bolshevism precludes the owning of personal wealth. One may, under Soviet conditions, own an automobile, own a house, own a

villa, in addition to that a precious library, a gold watch, two suits of clothes, six suits of clothes. There is no upper limit to the wealth which an individual may hold, but wealth is for consumption, for use, for enjoyment. It may not become capital. The state is the only capitalist.”<sup>39</sup>

Primary reliance is placed in social approbation and condemnation. “Far more, however, than by personal or material rewards the Communists achieve their ends by using the stimulus of social approval and disapproval,” writes Dr. Ward. “This is the most important shift in incentives—the transfer of the tremendous power of common judgment and public opinion from money making to socially useful labor. The resultant change in the psychological atmosphere is one of the things that causes the visitor to realise that he is in a new world . . . In the Soviet Union naturally all the controls are thrown the other way—to get exploitation shunned as dishonorable, to get productive labor accepted and glorified. This is done directly, and according to plan, by the use of all possible forces of education and all available means of publicity, exactly as all the agencies of public opinion were mobilised to get the people of the United States to support the War.”<sup>40</sup>

It is not necessary, however, to go to Soviet Russia to find evidence that much of the work of the world is being done on a non-profit basis and without the hope of large financial rewards. The situation in the United States deserves further examination. Attention has already been called to the fact that only 374,032 persons in this country reported incomes as high as \$10,000 in 1929, and only 259,454 in 1930. That is to say, even in the industrial, commercial, and financial spheres of life only a minute fraction of the population is spurred by the expectation of substantial monetary gain. Outside these areas the evidence is more impressive. “In the United States today, one worker in twelve is in government service, with a total payroll of 6.6 billion dollars annually,” writes Stuart Chase.<sup>41</sup> In January, 1932, the total number of employees of the executive branch of the Federal Government, including civil and military employees, was 1,023,373. *The number receiving a salary as high as \$10,000 was only 213, and the number with a salary of \$5,000 or more was only 7,445.*<sup>42</sup>

An impressive list of workers on a non-profit basis can quickly be assembled from the 1930 census figures:<sup>43</sup>

Government service—including firemen, policemen, sheriffs, inspectors, soldiers, sailors, laborers, etc.....	856,205
School teachers .....	1,044,016
College presidents and professors.....	61,905
Clergymen .....	148,848
Other religious workers.....	31,290
Trained nurses .....	294,189
Librarians .....	29,613
Social and welfare workers.....	31,241

In the light of a mountain-pile of testimony, it is absurd to maintain that the removal of the hope of securing an income beyond \$20,000 would seriously diminish initiative and energy.

### 5. *Socialized Property*

If approximate equality of economic privilege is to be achieved, the primary sources of wealth must be socialized, and in an industrial society ownership of property is the main gateway to riches. Socialists, therefore, advocate public ownership and operation of the primary means of production and distribution, but do not desire to abolish all private property. On the contrary, they seek an enormous increase in private property. That is to say, they distinguish between producers' property and consumers' property. As rapidly as public support can be secured, heavy industries should be transferred from private to public ownership, including the following: waterpower and other sources of electric energy; coal, iron ore, oil, and other minerals; railways, public utilities, telephone, telegraph, radio, and other means of transportation and communication; huge factories and giant distributive agencies. Through an equitable division of the proceeds of these sources of wealth, the general standard of living could be raised considerably, thus making available more private property in consumers' goods.

Socialists do not anticipate the simultaneous socializing of all these various types of property, but rather envisage successive stages. How fast and how far toward complete socialization we should go can only be determined in the light of experience. During recent months there has been a drastic swing away from the policy of gradualism, and everywhere among Socialists the talk now is of the imperative necessity of speeding up the pace. It seems obvious, when we take into account inertia, tradition, and vested interest, that we will not be able to move too rapidly; nor are we likely to spread

too much sail. The danger is rather that we will be unable to change public opinion with sufficient rapidity to enable us to escape a cataclysmic upheaval.

However difficult may be the task of weaning away the American people from the idea of private property in heavy production and distribution, it must be accomplished if appreciable progress toward equalization is to be made. Power flows to ownership, privilege flows to power, and so long as private ownership of basic industries endures, the owning class will appropriate an excessive share of the proceeds. A convincing illustration is found in the trend of wages and dividends during the present depression. Professor Paul H. Douglas, of the University of Chicago, has compiled the following table of dividend and interest payments by American corporations, and of the relative payments of wages in manufacturing industries:<sup>44</sup>

<i>Year</i>	<i>Total Dividend and Interest Payments by All American Corporations</i>	<i>Relative Amounts (1926 = 100)</i>	<i>Relative Amounts of Wage Payments by Mfg. Establishments (1926 = 100)</i>
1926 .....	\$4,391,000,000	100	100
1927 .....	5,571,000,000	129	97
1928 .....	6,028,000,000	137	95
1929 .....	7,588,000,000	173	100
1930 .....	8,578,000,000	196	80
1931 .....	8,228,000,000	187	60
1932 (9 months) ....	5,413,000,000	164	38 (Sept.)

These figures are so significant—and so incredible—that it may be well to present further supporting evidence. The following table, compiled by the *New York Journal of Commerce*, varies from that of Professor Douglas by only a fraction:<sup>45</sup>

<i>Year</i>	<i>Total Dividend and Interest Payments</i>	<i>Relative Amounts (1926 = 100)</i>
1926 .....	\$4,391,185,000	100
1927 .....	5,570,548,000	129
1928 .....	5,893,411,000	136
1929 .....	6,887,650,000	157
1930 .....	8,207,554,000	187
1931 .....	8,075,670,152	184

The assertion that during the depression wages dropped sharply, while payments to capital increased substantially, was flatly contradicted by the New York *Evening Post*, on February 20, 1933, under the heading: "Dividends, Wages Move Parallel." The article began with these words: "That wages and dividends suffer about equally from depression is revealed in a survey prepared by the Standard Statistics Company based on comparable indexes of total wages paid and total common dividends paid since 1914," and the following table was presented as substantiating evidence:

*STANDARD STATISTICS INDEXES*  
(1909-1914 Equals 100)

<i>Year</i>	<i>Wages</i>	<i>Common Dividends</i>
1914 .....	110.8	116.2
1915 .....	148.1	118.4
1916 .....	167.0	207.8
1917 .....	205.7	232.8
1918 .....	260.7	216.7
1919 .....	279.5	196.7
1920 .....	336.5	184.3
1921 .....	218.8	175.0
1922 .....	231.1	164.4
1923 .....	294.6	199.2
1924 .....	272.6	207.6
1925 .....	287.5	248.2
1926 .....	297.2	282.3
1927 .....	290.6	305.1
1928 .....	290.0	343.9
1929 .....	306.8	405.1
1930 .....	249.3	384.8
1931 .....	188.0	302.0
1932 .....	129.1	182.3

Although there are several missing links in the above argument, as I shall point out in a moment, taking the table as it stands, it does not warrant the statement quoted. According to these figures, the relative shifts in wages and common dividends during the depression was as follows:

	<i>Wages Increase Above 1914 Level</i>	<i>Common Dividends Increase Above 1914 Level</i>
1932 .....	18.3	66.1
1931 .....	77.2	185.8
1930 .....	138.5	268.6

Even on a basis of the supporting figures, there is no ground whatever for saying that the movement of wages and dividends was parallel. Moreover, these figures include only common dividends, and not dividends on preferred stock. But of far greater significance is the fact that this table does not include other payments to capital, especially interest payments. How stupendous are the sums omitted may be seen from the following table, compiled by the *New York Journal of Commerce*:<sup>46</sup>

<i>Year</i>	<i>Interest Payments</i>
1913 .....	\$ 939,184,000
1920 .....	2,432,784,000
1926 .....	3,218,500,000
1927 .....	3,471,398,000
1928 .....	3,703,924,000
1929 .....	4,109,950,000
1930 .....	4,374,404,000
1931 .....	4,553,720,152

The totals for the depression years become nothing short of startling when contrasted with earlier periods. The following figures are from the compilation of the *New York Journal of Commerce*:<sup>47</sup>

<i>Year</i>	<i>Total Dividend and Interest Payments</i>	<i>Relative Amounts (1926 = 100)</i>
1913 .....	\$1,777,237,000	40
1914 .....	1,787,376,000	41
1915 .....	1,865,111,000	42
1916 .....	2,135,033,000	49
1917 .....	3,389,136,000	77
1918 .....	2,724,732,000	62
1919 .....	3,189,184,000	73
1920 .....	3,414,876,000	78
1921 .....	3,341,809,000	76
1922 .....	3,399,719,000	77
1923 .....	3,585,217,000	82
1924 .....	3,840,590,000	87
1925 .....	4,083,828,000	93
1926 .....	4,391,185,000	100
1930 .....	8,207,554,000	187
1931 .....	8,075,670,152	184

Further evidence is found in a monumental study of debt by the Twentieth Century Fund, edited by Evans Clark, entitled *The In-*

*ternal Debts of the United States.* This investigation disclosed the fact that the total long-term debts in this country approximate 134 billion dollars, which at four percent interest would yield \$5,360,000,000.<sup>48</sup> Relatively a small proportion of this huge sum goes to the workers directly; most of it flows into the same coffers of the rich which serve as reservoirs for dividend-payments.

Thus it is apparent that while employers cut wages drastically during the depression, even in these lean years combined payments for interest and dividends were fabulously in excess of the years prior to 1926—454 percent greater in 1931 than in 1913; while the total for the most prosperous of the war years was only 42 per cent of that in 1931. While the workers received less than 40 percent as much income during the first nine months of 1932 as they received for the same period of 1926, payments to money were 64 percent heavier. Interest-dividends went up, while wages went down for the simple reason that owners had the power to dip in the barrel earlier and with longer ladles.

The problem becomes more vividly outlined when we consider the earnings of particular corporations. The various Standard Oil companies probably deal more fairly with their employees than most other corporations, and therefore the following table of dividend payments is especially significant: <sup>49</sup>

<i>Year</i>	<i>Total Cash Dividends of the Standard Oil Group of Companies</i>
1932 .....	\$181,050,895
1931 .....	220,739,182
1930 .....	286,526,728
1929 .....	269,645,927
1928 .....	218,740,335
1927 .....	213,617,940
1926 .....	200,311,594
1925 .....	153,506,099
1924 .....	150,388,555
1923 .....	138,423,295
1922 .....	129,039,865
1921 .....	115,315,292



These figures show that the average dividends paid during the three depression years were 229 million dollars, as compared with an average for the nine preceding years of 177 millions!

Moreover, these sums become all the more amazing when we examine the record of earlier earnings. Cash dividends were paid as follows: <sup>50</sup>

<i>Year</i>	
1920 .....	\$115,776,793
1919 .....	105,901,477
1918 .....	103,480,916
1917 .....	99,957,923
1916 .....	98,627,875
1915 .....	62,401,204
1914 .....	62,692,884
1913 .....	107,795,361
1912 .....	51,686,634

In 1922 it was estimated that since incorporation in 1882 the net earnings of the various Standard Oil companies, "after operating expenses, charges for depletion and depreciation and sums expended on development and acquisition," had been \$3,506,000,000.<sup>51</sup> And from 1923 to 1932 cash dividends totaled \$923,636,359—and this sum does not include cash reserves. Thus we arrive at the stupendous figure of \$4,429,636,359 as the yield of the Standard Oil group of corporations. This colossal sum came from superior ability—plus control of a priceless natural resource, plus the labor of hundreds of thousands of workers, plus the rise and expansion of the automobile industry, plus billions of dollars spent by governments upon roads and highways, plus countless other factors in a complex civilization!

The Ford Motor Company affords another impressive illustration of the fabulous yield of industrial property. Starting with a capitalization of \$100,000 in 1903, only \$28,000 of which was actually paid in, this corporation produced such vast riches for its owners that in 1924 J. W. Prentiss, in behalf of Hornblower & Weeks, offered to pay a billion dollars for the company.<sup>52</sup> This huge fortune was achieved by genius in the realms of invention, administration, and salesmanship—plus the control of natural resources, plus the labor of tens of thousands of workers, plus cheap gasoline and expensive public highways, plus the marvelous productiveness of the modern machine in other industries which made possible a relatively

high standard of living for Americans, thus enabling them to purchase Ford cars! Working at the rate of \$6 per day for 50 years, excluding only Sundays, 11,500 men would be required to earn a billion dollars! By what ethical standard is an individual justified in taking such a disproportionate share of the proceeds of industry?

Mr. Henry Ford has devoted his time and energy to his business, but some of the investors in the Ford Motor Company put in only cash. For example, Mr. John S. Gray, of Detroit, invested \$10,500 in the company at the very beginning. Without putting another penny into the corporation, he and his heirs during a period of about 16 years received total dividends of \$10,355,075. Then this original stock was sold to Henry Ford for \$26,250,000, making a total yield of \$36,605,075—from an investment of \$10,500.<sup>53</sup> That is to say, an average return of 21,700 percent annually on the amount invested!

And so it is obvious that the pathway to equality of economic privilege is blocked by private ownership of the chief sources of revenue. By what means can the transfer from private to public ownership of basic industries be made? *Confiscation* and *purchase* are the contrasting methods advocated by Communists and Socialists. So far as the United States is concerned, the former method is utterly impracticable and will probably remain so for many decades to come. The ethical arguments pro and con are somewhat equally divided. Recovery of loot from a robber does not constitute theft, and if the property which was secured by fraud and exploitation could be confiscated by society, that is restored to the community, there would be much to be said for this procedure. Unfortunately, the problem is not that simple. Much of the property which was secured by robbery has been sold to purchasers who bought it in good faith. Moreover, it is impossible to draw a sharp line between property legitimately acquired and property dishonestly secured. Under American conditions, confiscation is possible only through warlike revolution and the violent seizure of power by revolutionaries. My own reasons for rejecting this method are outlined in a later section.\*

Not only is the purchase of private property at least as ethical as confiscation, it is far more practicable, and may be highly effective as a means of equalizing privilege. Let us consider the case of a mine owner after the voters have given the legislators a mandate to

\* See pages 221–226.

socialize the mines. The private operator would not be paid his own asking, but a fair price as set by the public authorities, in accordance with the long-established practice under the right of eminent domain. Payment might be made partly in cash and partly in government bonds, the latter being subject to amortization in say thirty or forty years. The cash received and the interest on the bonds would be subject to a highly graduated income tax, and the owner's estate at death would be subject to a steeply pitched inheritance tax. By this combination it would be possible within a generation to abolish the inequality that is due to private ownership of coal mines. All that is required is public determination to accomplish this end.

And surely it is easier to persuade American voters to purchase private property than it is to infuriate them into revolutionary confiscation. It is often said that the owners would forcibly resist socialization of their property, but the evidence seems to me to be overwhelmingly on the other side of the argument. If the citizens of this country, by the necessary majority, should decide to nationalize the railways, there is not a scintilla of evidence that railway security holders would offer armed resistance. And how many of the 600,000 stockholders of the American Telephone and Telegraph Company would be willing to fight in order to prevent socialization of the means of communication? Would the widows and orphans who own stock in the United States Steel Corporation, about whom we hear so much, employ armed forces to prevent the socialization of their property in steel? As rapidly as public opinion can be created and directed into appropriate legislation, socialization of property can be brought about without resort to armed revolution.

And how would socialized industry be operated after it has been purchased? Not in any one way. Some industries would be acquired and operated by Federal authority, others by states, and others by municipalities. "Socialists do not believe," writes Norman Thomas, "that socialized industries and public utilities should be run, like the post office, by political appointees of the President, the Governor or the Mayor. Each socialized industry should be functionally administered under a directorate representing the workers and technicians, and the consumers. A planning board\*—not Congress—should lay down the general economic plan."<sup>54</sup>

Whenever a majority of the population is impelled by the urge

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\* See page 191ff.

to equalize economic privilege, and will consequently limit personal incomes to \$20,000 or \$10,000 annually, the best brains of the nation will no longer be diverted into the scramble for private profit, or paralyzed by unemployment and poverty, and will therefore be available for the administering of vast public enterprises. The efficient operation of socialized property awaits only the determination to socialize economic privilege and power.

### 6. *Socialized Banking and Credit*

The 1932 platform of the Socialist Party contained this plank: "Socialization of our credit and currency system and the establishment of a unified banking system, beginning with the complete governmental acquisition of the Federal Reserve Banks and the extension of the services of the Postal Savings Banks to cover all departments of the banking business and the transference of this department of the post office to a government-owner banking corporation."

In reply to an inquiry as to what he would do with the banks if he were President of the United States, Norman Thomas outlined the following program:<sup>55</sup>

1. The Postal Savings Banks should at once be converted into a general, publicly owned bank, administered not under Mr. Jim Farley but under a federal board. Commercial and thrift accounts should be carefully segregated.

2. All banks which have been or are to be rescued by governmental agencies should become government property, to be liquidated or incorporated in the publicly owned system.

3. States and cities should be allowed, under proper regulation, to open publicly owned banks similar to the successful municipal bank in Birmingham, England.

4. All Federal Reserve banks should be completely managed by public representatives in the public interest. Of course, the publicly owned banks should belong to this system.

5. For the present I think that existing privately owned banks, State or national, which are completely solvent may be allowed to operate, provided that they are completely divorced from their affiliates, and that, under the direction of the Federal Reserve system, they guarantee deposits. The absurd and dangerous chaos of forty-eight different State codes of banking should be ended for all banks.

Finally there should be a National Credit Board to direct the general flow of credit. It must be made forever impossible for a few New York and Chicago investment bankers, for their own hope of extortionate profits, to float Peruvian loans against which their own experts have warned them, or to back the crazy financial schemes of an Insull or a Kreuger. This Credit Board should work in harmony, on the one hand, with the Federal Reserve Board, and on the other, with the National Planning Board which Socialists would set up. It should be observed that a proper control of short-time credit by the Federal Reserve Board and of long-time credit by the Credit Board could and should be used to stimulate and encourage such sound labor policies as the thirty-hour week.

Although the postal savings banks were inaugurated in 1911, they did not attract a large number of depositors until the partial breakdown of capitalistic banking during the recent depression years. At the end of 1920 the total deposits approximated only 139 million dollars, while at the close of 1932 the total reached 860 million dollars in deposits, with 1,545,190 depositors, in 7,549 depositories. And on July 1, 1933, total deposits reached the record level of \$1,184,948,200.<sup>56</sup> In March, 1933, Senator Dill introduced a bill, which if enacted into law would make possible checking accounts up to \$5,000 in postal savings banks.<sup>57</sup>

One has only to survey the record of capitalistic banking to recognize the imperative need for socialized banking. From 1921 through 1932 the number of bank failures in the United States was 10,741, with total deposits of approximately five billion dollars.<sup>58</sup> And, as everyone knows, in March, 1933, the banking system of this country collapsed utterly for several days. Three and a half months later 5,000 banks were still closed, with approximately five billion dollars tied up.<sup>59</sup> Of these closed banks, 1,100 were members of the Federal Reserve system, and their deposits amounted to \$2,618,606,000.<sup>60</sup>

In May, 1933, Professor H. Parker Willis, of Columbia University, formerly Secretary of the Federal Reserve Board, and formerly editor of the *New York Journal of Commerce*, said bluntly: "Were we, in other words, to write off the undisputed and inevitable shrinkage of assets and to take into account the unquestionable losses of the various institutions, we should recognize that the banks would have, as a group, not much more than enough resources to cover their

liabilities. The equity of their stockholders is almost zero.”<sup>61</sup> Dr. David Friday summarized the record in these words: “The fiscal year 1932 established a new record for banking profits. This is revealed by the report of the Comptroller of the Currency which covers the year ended June 30. During that period, the National banks of the United States combined, suffered a net average loss of 4.94% on capital stock and surplus combined. In the 63 years during which our National banking system has been in operation, this figure for profits shows red for the first time.”<sup>62</sup>

There is abundant justification, therefore, for the declaration of Thomas W. Lamont, of J. P. Morgan and Company, that “no civilized country of modern times has suffered so cruelly from unscientific and inefficient currency and banking systems as has the United States in the last hundred and forty-five years. Within that period the country has gone through a long series of banking collapses, due largely to like causes and bringing to the American community prodigious losses. The serious banking troubles of a year ago, now happily over, were but another chapter in the melancholy record.”<sup>63</sup> Now happily over! These words were spoken on November 18, 1932, and the worst was yet to come!

In listing the causes of bank failures, Mr. Pierre Jay, formerly Chairman of the Board, Federal Reserve Bank of New York, wrote: “First, the vast majority of them were due to mismanagement, reflected principally in over-lending, in exploitation by officers and directors and in some disregard of legal restrictions. . . . If mismanagement was the principal cause of failures, it seems fair that the failure of bank supervision to correct it should also be assigned some secondary share in the responsibility for what has occurred.”<sup>64</sup> And in the face of the appalling record of inefficiency and criminality, another outstanding banker, Francis H. Sisson, President of the American Bankers’ Association, in an attempted white-wash, says: “The greater part of our banking problem is political, and not economic. . . . These weaknesses have been very largely imposed by political considerations and are not the work of the bankers themselves.”<sup>65</sup>

In spite of the fact that most Americans have believed passionately in individualism, and consequently in capitalistic banking, the Government has been compelled by sheer necessity to encroach more and more extensively into the field of banking and credit. Indeed, not one citizen out of a thousand has any idea of how far

we have already traveled toward governmental banking. In the *American Bankers Association Journal*, Professor John Hanna, of Columbia University, presents the following summary: "America's biggest banker today is the Federal Government. The United States is now operating 52 financing institutions. Forty of these are owned entirely by the Government. In twelve more the Government has already a two-thirds interest. Thirty-seven are intended to be permanent. Twenty-five of the permanent ones and 14 of the temporary ones are agricultural. The capital stock held by the United States in these banks has a par value of \$1,380,000,000. The Government's total investment is nearly \$2,000,000,000. Resources of these institutions exceed \$3,000,000,000. In addition the Government has detailed supervision over 51 mortgage banks, operating under Federal charter. The Government also supervises 4,600 local agricultural loan associations with Federal charters." <sup>66</sup>

Since Professor Hanna's summary was compiled the Government has plunged still further into the banking business. The Glass-Steagall Bank Act of 1933 provides 150 million dollars from the Treasury as part of a pool of 500 millions for the insurance of bank deposits through the Federal Deposit Insurance Corporation. A new organization known as the Federal Emergency Administration of Public Works has been created and given an operating fund of \$3,300,000,000. The Farm Credit Act of 1933 provides for the organization of 12 corporations, to be known as Production Credit Corporations, and 12 banks, to be known as Banks for Cooperatives, with a revolving credit of 120 million dollars, and the Governor of the Farm Credit Administration is empowered to establish the Central Bank for Cooperatives. Then there is the Home Owners' Loan Corporation, with two billion dollars from the Federal Treasury for the purpose of refinancing mortgages of small home owners.

All these steps together are taking us a long way toward governmental banking, but they are not the measures Socialists recommend, because for the most part they are designed to rescue and restore the capitalistic industry, finance, and agriculture. But they do make ridiculous the assertion that government banking is impracticable. Without direct governmental participation in banking, this country would have been scourged much more disastrously than it has been, and from now on it will be quite impossible to get the Government out of the banking business. The only live

alternatives are: shall the Government continue to act as a rescue squad for private capitalists, or shall it socialize the entire banking system and transform it into an instrument of equalization and social welfare? <sup>67</sup>

### *7. Socialized Land and Agriculture*

Ownership of land has long been a primary source of special privilege, and any program of equalization that is to be effective must deal adequately with the land problem. Practically all varieties of socialism look forward to the ultimate ownership of all land by the state or other public authorities, and its allocation on an equitable basis to the people for use and not for private profit. This does not mean that a family will not be permitted to own a home, or enjoy privacy, as caricatures of socialism so often suggest, although there are differences of opinion among Socialists as to the extent to which communal housing should be practiced. In metropolitan communities, where space is at a great premium, municipal or state apartments at low rentals may prove to be the most satisfactory means of affording adequate housing to all the people. In suburban areas and in small cities and towns, long-term leases by the state will enable a family to enjoy its home and small plot of ground.

Monopoly of land as a means of extracting a toll from the public is a curse which no rational society would permit. The earliest great fortunes in this country were derived chiefly from land. With vast stretches of fertile soil awaiting cultivation, and with property holders firmly in the saddle of government for nearly a century, speculators reaped a golden harvest. Huge areas were sold for a dollar per acre or less. As late as 1860, one-half of the entire area of the United States, or more than a billion acres, belonged to the Government.<sup>68</sup> Through a combination of devices, certain individuals came into possession of incredibly vast estates. In 1905 Clarence W. Barron recorded in his diary the statement that Colonel William C. Greene "can travel 240 miles south on his own land. He has altogether about 8,000,000 acres of grazing land."<sup>69</sup> Professor Ely says that in 1917, in the eight counties of Southern California, apart from governmental property and land owned by the railroads, approximately half of the land was owned in holdings of two thousand acres or more; seven estates exceeding 50,000 acres each.<sup>70</sup>

The rise in values of urban property, however, proved to be even more profitable for investors and speculators. The enormous influx



of immigrants and the phenomenally rapid growth of cities offered opportunities for a rich harvest from investments in real estate. On the eve of the American Revolution, Philadelphia with its 25 thousand inhabitants was the largest city in the country, followed by Boston, New York, Charleston, and Newport, the last with only seven thousand. In 1830 the population of New York City had jumped to 200 thousand, while Philadelphia followed with 150 thousand, Baltimore with 80 thousand, Boston with 60 thousand and Charleston, with 30 thousand. By 1850 New York City had risen to 700 thousand, and ten years later Chicago topped 100 thousand. Within the lifetime of men still younger than three score and ten, such metropolitan communities as Milwaukee, St. Paul, Minneapolis, Omaha, Denver, Houston, Birmingham, Portland and Seattle did not appear on the map, or were mere villages.

From four millions in 1790, the population of the United States increased to nearly 13 millions in 1830, 31 millions in 1860, 62 millions in 1890, 92 millions in 1910. After 1850, the number of incoming aliens never fell below a million and a half per decade, and at the peak reached nearly six millions within ten years. By 1890 more than 15 million immigrants had entered the United States, and by 1927 the total reached the stupendous figure of 37 millions, of whom 32 millions came direct from Europe.

With this vast incoming human tide, it was natural that those persons already on the ground should profit by the rise in land values. John Jacob Astor furnishes the most brilliant illustration of the possibilities.<sup>71</sup> Arriving as a poor immigrant in 1784, he was well ahead of the rush of Europeans to the land of promise. By strenuous toil, good management, and thrift, combined with relentless exploitation of the Indians and of his own employees, Astor was able to amass a modest fortune from the fur trade and the China trade. By 1800 his wealth was estimated at 250 thousand dollars, and being impressed by the significance of the fact that the population of New York City had doubled within ten years, he decided to invest in Manhattan real estate, with results that are well known. For the next two decades his annual investment was about \$35,000. From 1806 to 1814, his sales of certain plots netted him above 200 per cent, and enabled him to purchase much larger tracts further uptown. His total investments in real estate during his lifetime amounted to just over two million dollars. His income from rent and from his various business enterprises, however, was

so heavy that at the time of his death in 1848 his fortune was conservatively estimated at upward of 20 million dollars.<sup>72</sup>

So rapidly did land values rise that by 1876, when his son William B. Astor died, the family fortune was estimated at 100 million dollars, by 1890 at 250 millions, and by 1905 at 450 millions. It is true, of course, that not all this wealth was derived from land, but there can be no question that the bulk of it came from unearned increment in land values. In a doctor's thesis in 1909, Donald Elliott Bridgman recorded the fact that "dozens of lots bought by Astor on lower Broadway for \$200 to \$300 are now worth \$300,000 to \$400,000; an East side farm which cost \$20,000 is now worth \$8,000,000."<sup>73</sup> At the time of his death, William B. Astor was said to own a thousand houses. Mr. Gustavus Myers estimated that in 1910 from rents alone "the Astors collected twenty-five to thirty million dollars a year."<sup>74</sup> This writer also computed the landed property on Manhattan Island of the Goelet family at 200 millions.

The spectacular rise in New York City land values may be seen from the following table of assessments in various years:<sup>75</sup>

<i>Section</i>	<i>Year of Valuation</i>	<i>Old Valuation</i>	<i>1924 Valuation</i>
Arch to 13th St.....	1826	\$ 14,600	\$ 8,128,000
13th to 23rd St.....	1836	405,000	29,541,500
23rd to 34th St.....	1838	246,500	61,974,000
34th to 40th St.....	1838	138,800	71,802,000
40th to 86th St.....	1841	397,000	259,611,000
86th to 110th St.....	1841	173,000	22,287,000
Totals .....	.....	\$1,374,000	\$453,316,500

The rise of real estate values within a decade is illustrated by a proceeding before Surrogate Foley in New York City, where the fact was brought out that a plot of ground valued at \$500,000 in 1917, had risen to \$4,000,000 or \$5,000,000 in 1927.<sup>76</sup>

The appropriation by private individuals of the profits due to increased value of land has been a chief source of special privilege in this country, and constitutes a primary reason why in great metropolitan communities such high rentals are demanded in order to pay interest and dividends on inflated land values that satisfactory

housing facilities are beyond the reach of the vast majority of the working people.

Henry George may have been unwise in his emphasis upon the "single" tax, but certainly the absorption by society through taxation of the unearned increment due to rise in land values is highly desirable.<sup>77</sup> Whenever the voters so desire they can use land taxation in such a way as to prevent private profits from the ownership of land. Perhaps progress in this direction would have been more rapid if it had not been for the blindness of Henry George to the necessity of adopting numerous other measures of economic reconstruction. The length to which he went is indicated by the following quotation from his book, *The Condition of Labour*, written in 1891: "We have no fear of capital, regarding it as the natural handmaiden of labor; we look on interest itself as natural and just; we would set no limit to accumulation, nor impose on the rich any burden that is not equally placed on the poor; we see no evil in competition, but deem unrestricted competition to be as necessary to the health of the industrial and social organism as the free circulation of the blood is to the health of the bodily organism—to be the agency whereby the fullest cooperation is secured. We would simply take for the community the value that attaches to land by the growth of the community; leave sacredly to the individual all that belongs to the individual; and, treating necessary monopolies as functions of the State, abolish all restrictions and prohibitions save those required for public health, safety, morals, and convenience."<sup>78</sup>

The problem of agricultural land is equally important, and perhaps more difficult of solution, partly because American farmers are so extremely individualistic that for many years to come they are likely to oppose adequate measures of socialization.<sup>79</sup> For at least a long generation collective farming, of the types found in Soviet Russia, will remain beyond the bounds of practicability in the United States.<sup>80</sup> There is at the moment, therefore, little value in speculating as to the degree of socialization of agriculture best adapted to the American situation.

As steps in the direction of socialized agriculture, the 1932 platform of the Socialist Party advocated the following:

1. The reduction of tax burdens, by a shift from taxes on farm property to taxes on incomes, inheritance, excess profits and other similar forms of taxation.

2. Increased federal and state subsidies to road building and educational and social services for rural communities.

3. The creation of a federal marketing agency for the purchase and marketing of agricultural products.

4. The acquisition by bona fide cooperative societies and by governmental agencies of grain elevators, stockyards, packing houses and warehouses and the conduct of these services on a non-profit basis. The encouragement of farmers' cooperative societies and of consumers' cooperatives in the cities, with a view of eliminating the middle-man.

5. The socialization of federal land banks and the extension by these banks of long-term credit to farmers at low rates of interest.

6. Social insurance against losses due to adverse weather conditions.

7. The creation of national, regional, and state land utilization boards for the purpose of discovering the best uses of the farming land of the country, in view of the joint needs of agriculture, industry, recreation, water supply, reforestation, etc., and to prepare the way for agricultural planning on a national and, ultimately, on a world scale.

An intriguing plan of voluntary socialization by convincing farmers that government ownership of agricultural land is to their economic and social advantage has been formulated by H. J. Voorhis, and I am quoting at length from his article in *The World Tomorrow*.<sup>81</sup>

Briefly stated, the farmer's difficulty is insecurity due to the fact that the price he receives for his product does not bear any real relationship to its cost of production. First of all, then, let us examine his costs. More and more, a large part of these costs consists of fixed interest charges on debts, which for the most part have been contracted in an effort to "hold on to the land." Next, there are taxes. Agricultural lands should unquestionably pay something in support of the government, particularly the best lands, which enjoy a natural advantage over the poorer ones. But this tax burden has been woefully out of proportion to the earning capacity of the average American farm. And it has had to be paid in cash, which has caused a much more ruinous competition in selling to arise among farmers than would otherwise have been the case. Finally, in many sections of the Middle West particularly, the main dif-

ficulty with the farmers is that they have bought large acreages of land and are trying to hold onto them at all costs. This means a burden of debt which the tenant escapes. Thus we have thousands of farmers who, in contrast to the group just mentioned, are positively attempting to get out from under the burdens imposed upon them by the fact that they are farm owners.

At the present level of prices it is unthinkable that the farmers can repay mortgages, held chiefly by banks and insurance companies, which total \$10,000,000,000 in face value but which were contracted when the dollar could buy far less than it does today. Either the banks and the insurance companies will soon own almost all our farm land or the government of the United States or of the separate states must take from the shoulders of the farmers their burden of debt, must make the land public property and must compensate present owners in credits good for the payment of land rent for a period of, say, twenty years. Then the government could turn around and rent to working farmers these lands, free of debt, and a new start could be made.

This scheme would really involve several important changes in the present situation. In exchange for the ownership of the land, the United States government and the governments of the states will have granted virtual tax exemption to the working farmer for a period of twenty years. This is true because, although under ordinary circumstances farmers would be charged a crop rental based on the surplus value of their land, the government under such a plan will have paid for the land in certificates which in effect waive this rental. A farmer now in debt would have, instead of the debt, an obligation to begin the payment of that crop rental some time before twenty years were up, as the government would have to assume his debts, there being no longer any equity in the land. If his debt were large enough, the government might have to require him to begin rent payment at once, its own obligations to the farmer's creditors being equal in this case to the total value of the land. . . .

Now let us see what the new agricultural picture would look like. In the first place, farmers need in no case be forcibly dispossessed of their private holdings in land. The matter could quite well be left up to them. But they would be offered the alternative of attempting to continue farming on the present highly insecure basis or requesting that their lands be

socialized. If they chose the second alternative, they would be required to do certain things in exchange for the benefits involved. They would be told, in the first place, that they would be assisted by representatives of the Department of Agriculture in forming cooperative associations. Membership in such cooperatives would entitle them to certain benefits which they would not otherwise be permitted to enjoy. The principal benefit would be that the government agricultural marketing organization—an essential and necessary part of the whole plan—would contract to buy stipulated and properly apportioned amounts of staple crops at fixed prices from the cooperatives. Such contracts would, and should, be made with the cooperatives before the growing season begins—such as is now done under private capitalism in the sugar beet regions, for example. Farmers who are not members of cooperatives could sell their products only after the crops of the cooperatives had been taken by the marketing organizations. Thus, members of cooperatives would know before their crops were ever planted how much they could safely spend in raising them and what income from them they could expect. But this would not be true of those who refused to socialize their lands or of those who refused to join the cooperative organizations.

In the second place, cooperatives would, with advice and help of government experts but not under their dictation, apportion among the members the amount of the staples which each was to furnish to the marketing organization of the state. More efficient methods might be suggested and could be safely adopted. Agricultural production would thus be carried on according to an orderly plan and with almost complete security for the farmer, who would be left free to manage his own family-unit farm as he saw fit and to engage in all sorts of productive work, such as gardening, poultry raising and the like, for the benefit of his own support.

Large machines such as threshers, combines, and cotton gins would be owned by the cooperatives, and not by individual farmers or private capitalists, and the government marketing agencies would set aside a proper percentage of the crop return as a sinking fund for depreciation, thus relieving the individual farmer of this burden, which today he cannot and is not, in most cases, carrying. Finally, taxes would be paid by those who had allowed their land to become socialized, in crops. This would, of course, fit in admirably with the present abun-

dant production in agriculture, and would completely remove the necessity of getting cash for this purpose.

To sum up, through the voluntary socialization of land farmers might be relieved of the burden of debt, taxes, and much of the cost of machinery. They would be secure in a certain cash income from the sale of staples, and would be in a position to solve their individual problems so far as the raising of things for the special needs of the farm family is concerned. Production would be planned and controlled. Families upon farmsteads would be far more secure on their government leases than they are now on their freeholds. And agriculture would be the first instead of the last industry, as is usually the case, to enter upon the new era of man's control of economic forces through his collective intelligence.

#### *8. Adequate Public Relief*

Low wages and irregular employment make it impossible for millions of American workers to support their families, with the result that the sums required for outright relief are assuming staggering proportions. "Though accurate statistics are lacking, on March 4 perhaps thirty million people in the United States," writes Mr. A. A. Berle, Jr., one of President Roosevelt's most intimate advisers, "were living on charity or drawing the last dregs of their savings to keep alive. Approximately eleven million workers in the industrial sections were unemployed. The plight of the farming population is too well known to require further comment. The grim reality was that one fourth of the population was practically on the street; and that half the population was living at bare subsistence level, with wreckage behind and not even hope ahead."<sup>82</sup> The Children's Bureau, of the United States Department of Labor, says: "It is probably quite safe to estimate that today somewhere in the neighborhood of one fifth of all preschool children and school children in the United States are showing the effects of poor nutrition, of inadequate housing, of lack of medical care, and in many cases the effect of the anxiety and sense of insecurity that prevails wherever there is no work."<sup>83</sup>

Socialists consider charity as one of the least desirable ways of relieving human need, but under present circumstances regard it as unavoidable. Private philanthropy has completely collapsed as a satisfactory channel of ministry to the stricken millions of capitalism. Figures published by the Federal Emergency Relief Administration show that during 1932 and 1933, "more than three-fourths

of the money expended by relief agencies has come from public funds." In 1932 the total relief expenditures in 120 American cities was 313 million dollars, as compared with 174 millions in the previous year. During May, 1933, the total expended for unemployment relief in 28 metropolitan communities reached \$29,533,827, an average of almost a million dollars per city for the month. Of this amount, less than one dollar out of 14 came from private charity.<sup>84</sup>

In New York City during May, 1933, nearly 10 million dollars were expended in relief, and 274,464 families assisted; less than one million being expended by private agencies. By prodigious efforts, charitable gifts for relief in New York City amounting to 42 million dollars were secured in three years, a sum sufficient to provide four months' relief expenditures at the rate of May.<sup>85</sup> In September, 1932, the Red Cross announced that garments for 1,315,000 persons in New York City were being given away.<sup>86</sup> In testifying before a Senate committee in January, 1933, John Barton Payne, Chairman of the American National Red Cross, reported that 4,750,400 families had been aided with free flour, made available through a Congressional grant of 85 million bushels of wheat to the Red Cross, and that requests for aid had been received from three-fourths of all the counties in the United States. The free ration was on a basis of one barrel of flour for 90 days, for a family of four or five.<sup>87</sup> Mr. Harry L. Hopkins, chairman of the Temporary Relief Administration of New York State, estimated that during 1933 some 3,000,000 *families* in the United States would require relief, and Walter West, secretary of the American Association of Social Workers, said the figure might run as high as 3,500,000.<sup>88</sup>

The per capita expenditures for relief are utterly inadequate. Multitudes of needy persons are receiving no assistance whatever, and the rations doled out to other millions are tragically unsatisfactory. The Children's Bureau has estimated that in American cities the average relief per family during March, 1933, amounted to \$21.50, but that in some regions the sum fell to only \$5 per month per family. The Federal Emergency Relief Administration has estimated that in a few states the average relief expenditure has been about \$2 per week per person.<sup>89</sup>

There are unassailable reasons, economic and ethical, for saying that a country which flouts as much luxury in the face of the unemployed as is the case in the United States, should provide the utmost possible relief for the victims of capitalism. If the 259,454 indi-



viduals who reported incomes as high as \$10,000 during the depression year 1930, had been restricted to a mere \$10,000 income, there would have remained from the total of their reported incomes more than four billion dollars, or eight times as much as the maximum Federal appropriation for relief purposes.<sup>90</sup>

### 9. Social Insurance

The principle of collective responsibility for the risks of life has appeared obnoxious to most Americans, so ingrained has been the spirit of individualism. "In other countries that have been primarily affected by unemployment as a result of the war, solution has been had by direct doles to individuals from the public treasury. We have so far escaped this most vicious of solutions that can be introduced into government." These words of Herbert Hoover, spoken in 1921 before the President's Conference on Unemployment, represented the deep convictions of most of his countrymen at that time, and indeed up to the present moment.

The most effective argument used against unemployment insurance has been the popular interpretation of the "dole" in England, Germany, and elsewhere in Europe. Before we begin a consideration of the problem involved, it is advisable therefore that we remind ourselves of the attitude of conservative individualists in these countries toward unemployment insurance. An impressive bit of evidence is found in the policy of the Tories in England, spokesmen of the wealthy and reactionary class of Britishers. *What did the leaders of the Conservative party do when an avalanche of votes swept the Labor party out of office in 1931?* Did they proceed forthwith to dig up root and branch the whole abominable system of doles? They did not. They adopted the drastic measure of reducing unemployment benefits by about 10 percent! To quote the euphonious language of the Royal Commission on Unemployment Insurance, published a year later: "In October, 1931, as part of the economies effected by the National Government, the rates of unemployment benefit were reduced by approximately 10 percent."<sup>91</sup> If the system is really the abomination in the sight of the Lord pictured by American capitalists, why does a reactionary British government tolerate it? The reason is crystal clear: even the conservatives dare not attempt to get along without it. The scheme violates cherished traditions and is a source of bitter resentment, but they simply cannot get along without

it. When a nation is afflicted with a huge volume of unemployment year after year for more than a decade, and when there is every reason to anticipate the prolongation of the scourge for many years to come, public support of its victims becomes an inescapable necessity, irrespective of the degree of conservatism of the party in office.

The Committee on Industry and Trade, headed by the late Sir Arthur Balfour, appointed in 1924, although its final report was not published until 1929, said: "We regard the establishment of a practically universal system of compulsory insurance against unemployment as *one of the greatest advances in social amelioration made during the past generation*. . . . How the country would have fared had not the insurance machinery been available in its time of need, we find it difficult to imagine. Throughout the last few years, it has been a matter of constant comment that so deep and prolonged a trade depression has produced so little actual suffering in comparison with the experience of far slighter and more transient periods of depression before the war. There has been practically no decline in the consumption of the essential necessities of life in spite of the fact that a million or more workers have been earning no wages at their trades. For this happy result, a large part of the responsibility undoubtedly rests with the Unemployment Insurance scheme." <sup>92</sup>

The Archbishop of Canterbury, in a memorandum sent to the Blanesburgh Committee, declared: "There is . . . general agreement among clergy and Christian social workers that whether they regard the results of Unemployment Insurance as good or evil, it was quite inevitable. Undoubtedly it has saved many from the worst physical results of unemployment. Unemployment today is not attended by the same amount of physical hardship as was the case in the past. . . . Moreover, there is a large measure of agreement that if there had been no Unemployment Insurance, there would have been a great increase in social discontent, attended probably by rioting on a large and dangerous scale. . . . The strongest critics of Unemployment Insurance, even those who hold it accountable for many evils probably due to the fact of unemployment, admit that it would be folly to attempt to abolish it unless there is substituted for it some scheme which will provide either work and wages or payment for the unemployed." <sup>93</sup>

Following a personal investigation in the British Isles in 1931, Miss Frances Perkins, now Secretary of Labor in President Roosevelt's cabinet, said: "There seemed to me no doubt that the compul-

sory insurance against the ordinary hazard of industrial unemployment has proved to be sound in principle in England, and that it, together with the social services which the government and County Councils have been responsible for, are the base of the tremendous improvement in health, standards of living and the morale of the English working people, since the time of my last visit just before the war."<sup>94</sup>

Of course the unemployment system has cost a mint of money. You cannot stop the wages of from one million to three million workers for extended periods in a country like England and avoid wholesale starvation without spending money. If capitalism cannot provide regular employment, its beneficiaries must be compelled to furnish the means of livelihood for its victims. Indeed, there is no escaping the necessity of feeding the starving, whether it is done through the most vicious of all doles, the American system of bread-lines, soup kitchens and outright charity, or through unemployment insurance.

The total costs of the unemployment insurance system in various years has been as follows:<sup>95</sup>

*UNEMPLOYMENT INSURANCE IN ENGLAND, SCOTLAND  
AND WALES*

<i>Year</i>	<i>Number Insured July 1</i>	<i>Number of Insured Unemployed July 1</i>	<i>Total Receipts</i>	<i>Total Expenditures</i>
1922 .....	11,180,950	1,504,094	£46,673,306	£ 47,880,263
1923 .....	11,231,980	1,255,682	50,226,441	41,187,691
1924 .....	11,403,510	1,044,540	50,179,250	51,550,823
1925 .....	11,623,220	1,341,079	46,864,746	49,291,153
1926 .....	11,773,700	1,683,195	28,562,431	42,752,653
1927 .....	11,875,600	1,038,703	43,199,800	42,777,616
1928 .....	11,629,000	1,225,150	42,309,292	53,693,356
1929 .....	11,834,000	1,127,895	50,367,395	53,397,496
1930 .....	12,138,000	1,850,781	64,902,026	101,331,568
1931 .....	12,500,000	2,621,000	81,544,000	122,161,000
1932 .....	12,543,000	2,770,000		

The funds for unemployment relief in England are derived from three sources: the insured worker contributes about 20 cents per week (10d.), the employer pays about 20 cents per week for every employee, and the Government adds about 20 cents per week per insured

worker, and in addition assumes the annual deficit of the system. Unemployment benefits, after the 10 percent reduction in 1931, are about \$3.65 per week for a single adult man, \$3.25 for a single adult woman, and \$6.55 for husband, wife and two children.<sup>98</sup>

"An unemployed insured worker is entitled to insurance benefit," writes the Royal Commission on Unemployment Insurance, "if he is able to satisfy the following general conditions: <sup>97</sup>

- (a) that he has paid at least 30 contributions in the preceding two years;
- (b) that he applies for benefit in the prescribed manner and proves that he is continuously unemployed;
- (c) that he is capable of and available for work;
- (d) that, if so required, he has attended an approved course of instruction.

A claimant for benefit may be disqualified for the receipt of benefit for a period not exceeding six weeks if he—

- (1) refuses an offer of suitable employment; or
- (2) is dismissed from his employment through misconduct;

or

(3) leaves his employment voluntarily without just cause. He is disqualified for benefit if his loss of employment is by reason of a stoppage of work due to a trade dispute so long as the stoppage continues.

The maximum period for which insurance benefit may be paid in any benefit year is 26 weeks. When benefit has been paid for that period no more benefit may be paid in a subsequent benefit year until 10 further contributions have been made.

The present arrangements for providing assistance to unemployed workers not entitled to unemployment insurance benefit are:

(a) transitional payments, the cost of which is borne entirely by the Exchequer, the amount payable to the individual being determined by the Public Assistance Committee of the Local Authority, and

(b) the Poor Law, administered by local authorities.

About one-third of all employed persons in Great Britain are not included in the unemployment scheme, composed chiefly of individuals engaged in pursuits where there is greater permanence of employment, including persons engaged in agriculture, private domestic service, soldiers, sailors, police, teachers, civil servants, fishermen, and non-manual workers earning over £250 per annum.<sup>98</sup>

As to whether or not the unemployment scheme demoralizes the workers and increases the amount of loafing, the Blanesburgh Committee, appointed by the Conservative government, stated: "Throughout the inquiry we have constantly had brought to our notice the conviction held by many that the system of unemployment insurance is subject to widespread abuse. It has accordingly been one of our principal preoccupations to ascertain how far this belief is justified. . . . It is convenient to state at once the conclusion we have reached in this matter. It is true that a certain number out of the 11¾ millions of insured persons have received relief to which they had no claim. But it is equally true that *these cases are relatively few*. . . . We have found in all quarters a general agreement that the risk of unemployment should be insured. Nobody has suggested to us that the principle of unemployment insurance should be abandoned. It has been recognized by all who have appeared before us, and we ourselves share the view, that an unemployment insurance scheme must now be regarded as a permanent feature of our code of social legislation. . . . In spite of the oft-repeated accusation of fraud and abuse of benefit administration, *little evidence has ever been adduced to support them*. Nine separate investigations have been made since 1920, and all have failed to detect evidence for such accusations." <sup>99</sup>

After a thorough study of the whole problem, Barbara Nachtrieb Armstrong writes: "All reliable reports on the subject . . . bear out the contention of the British authority (Sir William Henry Beveridge) who stated in a recent publication that 'charges that the "dole" was helping numbers of men to live in idleness when they could get work have been made incessantly in the press, by local authorities, by public men. Whenever they have been investigated they have been shown to be idle and irresponsible talk.' " <sup>100</sup> In summarizing her conclusions, after an extensive study of unemployment in Great Britain for Industrial Relations Counselors, of which Raymond B. Fosdick is chairman, Mary Barnett Gilson says: "The insurance system has been charged with causing malingering as well as impeding mobility, but there seems little foundation for this indictment. . . . The onlooker is impressed by the endurance power of the insurance scheme; the wonder is that it has not wholly collapsed under the terrific and unprepared-for strain to which it has been subjected in the past ten years . . . the unfavorable history of the British system of unemployment insurance since the war and its pres-

ent patchwork condition have caused very little loss of faith in the principle of insurance against unemployment. It is generally held by the closest observers of the scheme that but for its operation these depressing years would have caused far greater distress than has been experienced. Indeed, some maintain that largely due to unemployment insurance the wage earners, apart from those in the distressed areas and industries, have been able to maintain their standard of living in one of the most trying periods of the nation's history. . . . Stanley Baldwin asserts that 'the diffused destitution with which we used to be familiar, the chronic uncertainty, the pauper stigma—these things have been gradually reduced, even where they are not abolished, by the State's having taken on the responsibility under the Insurance Acts.' ” <sup>101</sup>

The Royal Commission on Unemployment Insurance, in its Final Report in 1932, says: "Our survey merely of the economic facts would be incomplete if we did not direct attention to certain economic benefits of the system. More particularly we refer to the maintenance of the unemployed worker's fitness for work, and the maintenance of the community's purchasing power during depression. . . . In the interest of mere economic efficiency, even if no other values were brought into account, it is important to preserve the economic capacities of these workers during their employment. . . . The income that is taxed or borrowed in order to provide unemployment benefit might have been left idle, the owners of it neither desiring to use it for current consumption nor being willing to invest it in new industrial and commercial enterprise. In such a case the transfer of income to the unemployed, who will spend it on current needs, will provide an increased demand for labour to meet these needs. . . . Since 1929 . . . unemployment in this country, although worse, has not increased to the extent and in the degrees that it has in the United States and other countries. This difference may in part be due to the maintenance of working class spending by unemployment relief, when spending generally was contracting and investment in new enterprises drying up." ” <sup>102</sup>

The Minority Report of the Royal Commission on Unemployment Insurance summarizes its conclusions in these words: "Finally, there are two paramount considerations which must be borne in mind when reviewing the unemployment position in this country and the measures which have been taken to relieve it. The first is that other

countries have suffered more than our own both from unemployment itself and also from the results of it. *In Great Britain the storm has been weathered with less hardship, less demoralisation, less bodily and mental degeneration than in any other industrialised country at all comparable with our own.* The great majority of the unemployed in this country through all these black years have had some weekly sum on which they could to some extent rely. There is no need to stress the advantage of this provision, to the nation as well as to the individual beneficiary. And secondly, if we compare the amount of unemployment here and in other countries, we can see nothing to justify the belief that the trouble has been intensified here by high taxation or too rigid wage rates, or that other countries have gained anything by dealing with the problem at less cost to the community or by providing less security for the unemployed." <sup>103</sup>

How much would it cost the people of the United States to pay unemployment benefits on the British scale? The British payment to an unemployed adult man is just under \$200 per year, although, of course, a given individual does not receive payments steadily throughout the year, and about \$340 a year for a family of four. If, as a basis of rough calculation, we say there are in the United States 6,000,000 unemployed men and women without family responsibility, and another 6,000,000 heads of families, and multiply these figures by the British rates, we reach a total slightly above three billion dollars. Can there be any doubt whatever that this country would be in a vastly more favorable economic condition if three billions less had gone to the wealthier class and three billions more had gone to the unemployed? And from the angle of human welfare, can there be any doubt that the British payment of unemployment benefits is far less demoralizing than the handing out of American doles of bread and soup and charity in general?

It is sometimes maintained that even if for a given period of time the payment of unemployment benefits is preferable to outright charity, the former is objectionable because it tends permanently to pauperize the working population. This seems to me to be a fundamental misunderstanding of the problem. Unemployment benefits and charity are alike impotent as means of removing the curse of unemployment, and neither of them increases unemployment appreciably. Unemployment is caused by complex forces which are wholly independent of the means of relieving its victims. The volume of

unemployment is not diminished or increased whichever method of relief is adopted. If, therefore, the number of unemployed in the United States rapidly decreases the burden of unemployment benefits would be reduced accordingly. And if the volume of unemployment remains high for an indefinite period, as now appears almost certain, the need for unemployment benefits will be correspondingly great. The real choice before us is this: shall the victims of unemployment, whether they number three millions or fifteen millions, be afforded a livelihood by unemployment insurance or by charitable doles?

*Health insurance* is another measure which, if adopted as a general practice, would lift a terrific burden from the backs of the workers. Next to low wages, sickness is probably the most prolific breeder of poverty and destitution. Year in and year out its toll is perhaps heavier even than that of unemployment, and its victims are far more numerous than those of accidents. After exhaustive studies, Mr. Abraham Epstein thus summarizes the evidence: "At any one time from 2 to 3 percent of our population is incapacitated by illness. . . . The average time lost because of illness is between 6 and 9 days a year per person. Approximately 250,000 work days per year are lost through illness. The social problem of sickness results from its uneven distribution. A great part of the burden of sickness falls upon a relatively small proportion of the population. Because of occupational exposures, inferior food and shelter, and for other reasons associated with poverty, illness is more frequent among workers than among other social classes. In normal times illness constitutes the greatest single direct cause of dependency."<sup>104</sup>

The Committee on the Costs of Medical Care, of which former Secretary Lyman D. Wilbur is chairman, has estimated that in 1929 the total expenditure of the American people for medical care was \$3,656,000,000, and that 1,084,550 persons are engaged in the provision of medical care.<sup>105</sup> Yet the Committee is compelled to say: "At the present time, many persons do not receive service which is adequate either in quantity or quality, and the costs of service are inequally distributed. The result is a tremendous amount of preventable physical pain and mental anguish, needless deaths, economic inefficiency, and social waste. Furthermore, these conditions are, as the following pages will show, largely unnecessary. The United States has the economic resources, the organizing ability, and the technical experience to solve this problem. . . . As a result of our



failure to utilize most fully the results of scientific research, the people are not getting the service which they need—first, because in many cases its cost is beyond their reach, and second, because in many parts of the country it is not available. The costs of medical care have been the subject of much complaint. Furthermore, the various practitioners of medicine are being placed in an increasingly difficult position—in respect to income and facilities with which to work.”<sup>106</sup>

Belief in the superior virtues of rugged individualism has prevented the American people from seriously considering the possibilities of scattering the risks of sickness over the whole of society through insurance. The result is that the United States, China and India are the only great nations in the world without any compulsory health insurance provisions. The following table reveals the extent and nature of various national systems:<sup>107</sup>

COMPULSORY HEALTH INSURANCE

<i>Country</i>	<i>Contributors*</i>	<i>Maximum Cash Benefit (Percentage of Basic Wage)</i>	<i>Duration of Cash Benefit</i>	<i>Additional Benefits</i>	<i>Approximate Number Insured</i>
Austria.....	W. E.	58-80	26-52 weeks	D. F. M.	2,300,000
Bulgaria.....	W. E. S.	Flat rates	9 months	F. M.	240,000
Chile.....	W. E. S.	Varies	No limit	D. F. M.	1,240,000
Czechoslovakia.....	W. E.	66 2/3	52 weeks	D. F. M.	2,700,000
Estonia.....	W. E.	50-66 2/3	26 weeks	F. M.	34,000
France.....	W. E. S.	50	26 weeks	D. M.	8,700,000
Germany.....	W. E. S.	50	26 weeks	D. F. M.	20,000,000
Great Britain.....	W. E. S.	Flat rates	26 weeks	M.	17,230,000
Greece.....	W. E.	40	180 days	D. F. M.	Not operating
Hungary.....	W. E. S.	60-75	52 weeks	D. F. M.	960,000
Irish Free State.....	W. E. S.	Flat rates	26 weeks	M.	425,000
Italy (new provinces only).....	W. E.	50	26 weeks	F.	.....
Japan.....	W. E. S.	60	180 days	F. M.	2,000,000
Latvia.....	W. E. S.	66 2/3-100	26 weeks	F. M.	140,000
Lithuania.....	W. E. S.	58-100	26 weeks	D. F. M.	.....
Luxemburg.....	W. E. S.	50	26 weeks	D. F. M.	47,000
Netherlands.....	W. E.	80	26 weeks	M.	.....
North Ireland.....	W. E. S.	Flat rates	26 weeks	M.	360,000
Norway.....	W. E. S.	60	26-39 weeks	D. F. M.	600,000
Poland.....	W. E. S.	60	26-39 weeks	D. F. M.	2,100,000
Portugal.....	W. & others	Varies	52 weeks	D. M.	.....
Rumania.....	W. and W. E.	35-60	16-26 weeks	D. F. M.	1,000,000
Russia.....	E.	66 2/3-100	No limit	D. F. M.	8,800,000
Switzerland (5 cantons).....	W. S.	Flat rates	180 days	M.	.....
Yugoslavia.....	W. E. S.	66 2/3	26 weeks	D. F. M.	610,000

\* W.=Workers; E.=Employers; S.=State.

D.=Dependents' medical care; F.=Funeral benefits; M.=Maternity benefits.

Full rates: Men—15s. (\$3.60) a week; Women—12s. a week, after 104 weeks in insurance. Partial rates: Men—9s. a week; Women—7s. 6d. a week, after 26 weeks in insurance.

The cost of insuring all American workers against sickness would not be prohibitive. If we take the estimate of 250 million days lost time due to illness, and award 50 percent of say an average daily wage of \$4.00, the total cost would be 500 million dollars annually, or about 100 million dollars less than we are now spending on the current expenses of the army and navy.

The American reluctance to utilize the device of health insurance is in striking contrast to the recent attitude in the United States toward *accident insurance*. Compulsory compensation to injured workers is now general throughout this country, although we lagged about 30 years behind the industrial nations of Europe in inaugurating this system. And even now four states (Arkansas, Florida, Mississippi and South Carolina) are entirely without any compensation laws, and in all states numerous classes of workers are not included within the scope of the compensation benefits.<sup>108</sup> The scale of compensation for disabled workers varies from 40 to 70 percent of their weekly wages. In 16 states compensation for total disability is set at  $66\frac{2}{3}$  percent, in nine state at 50 percent, in four states at 55 percent, in eight states at 60 percent, in six states at 65 percent, and in Wisconsin 70 percent. In all cases except Alaska and Arizona the amounts of weekly compensation are limited to a minimum and a maximum figure, varying from a maximum of \$14 to \$25 per week. In 21 states compensation benefits may continue through life, while in the other states the maximum duration varies from 208 to 1,000 weeks.<sup>109</sup> In most of the states the cost of compensation is placed entirely upon the employer, thus making the benefit payments a direct charge upon industry.<sup>110</sup>

Within the past few years substantial strides have been taken in the United States toward *insurance against old age*, although an immense distance must yet be traveled before adequate security is afforded to the aged. The tempo of modern industrialism and the extent of unemployment make it increasingly difficult for persons past 50 years of age to earn a livelihood, and the prevailing scale of low wages renders it quite impossible for the mass of workers to save enough to provide for their last days. Less and less are the workers able to stand the extra burden of providing for the aged members of their families. Thus it is apparent that old age dependence is a primary source of poverty and destitution. The magnitude of the problem is revealed in the latest census figures: <sup>111</sup>

<i>Age Groups</i>	<i>Number in 1930</i>
65 to 69 years.....	2,770,605
70 to 74 years.....	1,950,004
75 to 79 years.....	1,106,390
80 to 84 years.....	534,676
85 to 89 years.....	205,469
90 to 94 years.....	51,664
95 to 99 years.....	11,033
100 and over.....	3,964
Total, 65 and over....	6,633,805

Old age pension laws of one type or another have been enacted in 25 states of the Union. The provisions of these various statutes are summarized by Mr. Abraham Epstein as follows: "In thirteen states the pensionable age is set at 70. Ten states grant pensions at the age of 65. North Dakota sets the age at 68 years, while in Alaska the age is 65 for men and 60 for women. The maximum pensions allowed are \$150 per year in North Dakota, \$15 a month in Indiana, \$250 a year in Kentucky, \$25 monthly in Delaware, Idaho, Montana and Utah, \$30 a month in Arizona, California, Colorado, Maine, Maryland, Minnesota, Nevada, New Jersey, Oregon, Washington, West Virginia, Wisconsin and Wyoming. In New Hampshire the maximum is set at \$7.50 per week. The Arkansas, New York and Massachusetts acts set no specific maximum, leaving the matter to the discretion of the administrative officials."<sup>112</sup>

The inadequacy of the prevailing state systems is indicated by the fact that at the end of 1932 approximately 100,000 persons were in receipt of old age security—out of the total of more than six millions who are 65 years of age and above! Even when the laws passed in 1933 become operative, only a small fraction of the total number of aged persons will be provided pensions.<sup>118</sup>

Through widows' pensions and mothers' aid, a mere beginning has been made in repairing the havoc wrought by the death of the bread-winner. In far more than half the families of the United States the death of the chief supporter constitutes an economic disaster of tragic dimensions. Children especially are cruelly victimized by such catastrophes, and if equality of opportunity is to have any meaning whatever, it is imperative that society provide adequately for these victims. While all the states, except two, have passed laws

providing assistance for mothers of dependent children, their effectiveness is so seriously impaired by numerous exceptions and by failure to observe the statutory mandates that in June, 1931, only 250,000 children were being cared for by mothers' aid, with a total appropriation of a mere 35 million dollars.<sup>114</sup>

### 10. *Minimum Wage and Family Wage*

The most devastating economic disaster of history was required to awaken the American people to the necessity of safeguarding workers with the legal minimum wage. At the present moment the Administration is throwing every ounce of its power behind the effort to enlist public support for the blanket code with its minimum wage provisions, and in behalf of the various other codes with similar provisions. Two observations need to be made with regard to this program: first, it is announced as an emergency measure and presumably is temporary in its application; and, second, the minimum wages are not sufficient to enable the head of a family to provide a decent, not to say comfortable, standard of living for three or four dependents. A wage of \$12 a week if continued steadily throughout the year provides only \$624 annually, and even \$15 per week yields only \$780 per year. These figures are disgracefully inadequate in a country that displays as much luxury as is the case in the United States.

If the objection is raised that under present circumstances the proceeds of industry are insufficient to afford a really adequate wage to every worker, then a double rejoinder is warranted: it is economically and ethically indefensible that the owning class should be provided with many varieties of frosted cake when the workers are not even given enough bread; and, second, it is now possible to pay a fairly satisfactory basic wage to single workers, and to award supplementary wages for dependents. This latter device is called *the family wage*,<sup>115</sup> and is used extensively in France and Belgium, and has been experimented with in several other European countries. Groups of industries form pools into which employers pay a fixed sum for every worker in their employ, and the supplementary family wage is taken from the pool and passed on to the worker, thus reducing the likelihood that employers will discriminate against married workers. After many years of experience with voluntary schemes of family grants, the French Government in 1932 made supplementary pay-

ments for dependents mandatory in industries employing about 10 million wage-earners.<sup>116</sup>

The pace of progress toward equalization will be determined in considerable measure by the creation of public opinion which demands that industry pay a living wage to its workers before it distributes dividends to its owners, and by the enactment of effective legislation designed to accomplish this result.\*

### *11. Extension of Public Services*

One of the effective methods of equalizing economic privilege is found in the extension of public services to citizens without private payment, especially in the realms of education, culture, health, and recreation. The average citizen does not realize how far we have already traveled in this direction, or how fast we are now moving. Universal, free, public education is an achievement of recent years, and most of the advances in this field have been bitterly opposed by individualists and by vested interests.† Progress in these areas must be continued, in spite of continued opposition. A society which has at its disposal such vast resources and such superb productive equipment as is the case with the United States should make available to every citizen all the educational facilities that he will utilize, from kindergarten to advanced research. The returns to the community are vastly greater than the social expanse of educating the individual. The total cost of elementary, secondary and advanced education in the United States in 1930 was about three billion dollars, divided as follows: <sup>117</sup>

Elementary and Secondary.....	\$2,316,790,000
Universities and Colleges.....	567,618,000
Teachers' Colleges .....	53,241,000
Total .....	<u>\$2,937,649,000</u>

That three billion dollars for education is not a disproportionate cost is indicated by comparative expenditures in other fields: <sup>118</sup>

\*The decisions of the Supreme Court of the United States concerning minimum wage legislation are discussed on pages 275, 278.

† See page 37ff.

*Selected National Expenditures in 1929*

	<i>Billions of Dollars</i>
Food .....	17.0
Clothing .....	8.0
Rent .....	8.0
Automobiles .....	6.5
Fuel and light.....	4.8
Home furnishings .....	4.0
Life insurance .....	3.5
<i>Education</i> .....	3.0
Travel (recreation, other than automobiles) ..	2.0
Motion pictures, concerts.....	2.0
Tobacco .....	1.6

Expenditures for the army and navy, interest on the war debt, and payments to war veterans in 1930 totaled far more than two billion dollars, as compared with three billions on education of all kinds. That is to say, the American people spend for war purposes, tobacco and motion pictures about twice as much as for education.

The inadequacy of the education now offered is revealed not only in insufficient appropriations for many types of instruction, and in low salaries for many educators, but in the lack of satisfactory training along many vital lines. The amount of economics taught in the public schools is almost negligible, and even in high schools there are lamentably few pupils receiving adequate instruction. The following table is impressive: <sup>119</sup>

*Percentage of Pupils of Public Secondary Schools  
Enrolled in Certain Subjects of Instruction*

<i>Subject</i>	<i>1928</i>
Algebra .....	35.2
Music .....	26.0
Latin .....	22.0
Drawing and art.....	18.6
Home economics .....	16.5
French .....	14.0
Community civics .....	13.4
Manual training .....	12.5
Civil government .....	6.7
Economics .....	5.1

It is not necessary for one to be enrolled in the ranks of the anti-classicists to point out the social folly of rating the study of Latin as four times as important as the study of economics. The value of French to an American student is inconsequential as compared with the significance of understanding the economic factors which mold his life. The American educational system has much to learn from Soviet Russia, where from the kindergarten upward the pupils are taught to grapple with economic problems.

Government must take over more and more responsibility for *health*. We are still in the stage where traditions and vested interests are combatting every forward step. Dr. Harry H. Moore, Director of Study of the Committee on the Costs of Medical Care, points out that socialized medicine is now at the point where education was several generations ago: "A hundred years or more ago, elementary education was confined largely to those children whose parents could afford to pay for their schooling. While others might be provided for by writing themselves down as 'paupers,' this requirement was so repugnant to many parents, that a large number of children did not go to school. In the cities, the presence of uncontrolled, undisciplined children on the streets soon became too conspicuous to be overlooked and a considerable number were turned over to voluntary philanthropic societies for schooling. Eventually civil officials discovered that it was more economical to establish free schools for all classes of children; and although there was a great deal of opposition at first it gradually disappeared until free compulsory education at public expense has come to be accepted throughout the country as a matter of course. In the field of secondary education, the tuition academy was the dominant institution in 1850. Somewhat prior to this date, however, the first public high school was established and after 1850 the tuition academy rapidly declined. The free tax supported public high schools increased in number, but only after a long series of local struggles. In many states legislation providing for the establishment of public high schools was attacked in the courts. Slowly at first and then more rapidly, the high school has come to be accepted as part of the tax supported school system in all the states; in the past decade alone the attendance has doubled." <sup>120</sup>

In the realm of health, as in numerous other areas of life, rugged individualism failed to safeguard the vitality of the masses, and increasingly it has been necessary for government to occupy the territory. "A review of the growth of governmental medical work,"

writes Dr. Harry H. Moore, "indicates that a considerably larger volume of medical activity is being carried on by the state than most persons suppose. Not only are the usual functions of the health department performed; in addition, there has been a significant increase in the work of governmental diagnostic laboratories and in the manufacture and distribution of biological products by the state; school health work and governmental public health nursing have grown rapidly in volume; federal, state and local governments to an increasing extent are subsidizing medical service; virtually every state in the union has adopted a workmen's compensation law; clinic service for an increasing number of diseases has been increasingly provided by local and state governments, at little or no cost, to the poor and persons of moderate means; and governmental hospital service has become increasingly available to persons of moderate means on a free or part pay basis. So far has this last trend already proceeded that . . . *over 73 percent of all hospital service now rendered in the United States is provided by governmental institutions.*"<sup>121</sup> Already 73 percent of all hospital service rendered by the government! In the Province of Saskatchewan, Canada, 32 counties are now employing physicians with funds secured from taxation and making their services available to all the people without further cost.<sup>122</sup>

If the three and a half billion dollars now being spent annually on medical care by the people of the United States, and if the million persons now connected with the rendering of medical care, were devoted to a comprehensive system of socialized medicine, a vast improvement in public health would be achieved. If the more highly skilled physicians and surgeons were paid an annual salary of say \$20,000 or \$10,000 per year, with graduated incomes for the less skillful and less experienced, the number of practitioners whose incomes would be substantially reduced from the present would be negligible. It is estimated that in 1929, of the 121,000 physicians in private practice, 53 percent had net incomes of less than \$4,000.<sup>123</sup> And so far as incentive goes, they would be in at least as favorable a position as university professors or scientists in public laboratories.

That sentiment in favor of socialized medicine is rapidly being crystallized is indicated by a report of the Committee on the Costs of Medical Care, of which Secretary Ray Lyman Wilbur was chairman: "The Committee recommends that medical service, both preventive and therapeutic, should be furnished largely by organized



groups of physicians, dentists, nurses, pharmacists, and other associated personnel. Such groups should be organized, preferably around a hospital, for rendering complete home, office, and hospital care." And even more significant is this paragraph: "The Committee recommends the extension of all basic public health services—whether provided by governmental or non-governmental agencies—so that they will be available to the entire population according to its needs. This extension requires primarily increased financial support for official health departments and full-time trained health officers and members of their staffs whose tenure is dependent only upon professional and administrative competence." And perhaps yet more significant is this expression of opinion: "The Committee recommends that the cost of medical care be placed on a group payment basis, through the use of insurance, through the use of taxation, or through both of these methods."<sup>124</sup>

Professor Walton H. Hamilton of Yale University, a member of the Committee, felt unable to sign the report, for reasons which he thus summarized: "The document contains far too much which is constructive and forward-looking for me to be willing to dissent; yet its statement falls so short of an adequate attack upon the problem of medical care that I cannot persuade myself to concur. . . . The art of medicine is intricate; the relation of the treatment of the sick to results obtained cannot be appraised by a layman; in medicine, almost more certainly than anywhere else, the patient has not the knowledge requisite for judgment. . . . Values are treasured long after they have begun to depreciate; and the idea of 'free choice' is much too individualistic to be easily surrendered. . . . So, it seems to me, that the scheme called compulsory health insurance is the very minimum which this Committee should have recommended. Its irregular incidence, and the practical difficulties in the way of budgeting, make necessary some type of collective provision against sickness. . . . It is not a question of whether we can afford to pay for an adequate and comprehensive system of medical care. A social investment in health pays its own way and yields a surplus. The present system is a luxury which the American nation—rich as it is in resources—is too poor to afford."<sup>125</sup>

The disparity between the privileges of the rich and the poor may likewise be diminished by an increase in *public recreational facilities* available to all the people. Here also we need to accelerate the pace of a movement which is already far advanced. "At the present time,

when outdoor recreational facilities are being provided at great expense under governmental as well as private auspices," writes J. F. Steiner, "it is difficult to realize that public opinion in favor of such a program was only in the early stages of its development a generation ago."<sup>126</sup> The park acreage in cities of 30,000 or more increased from 76,566 in 1907 to 258,697 in 1930, a gain of 237 percent in 23 years, and more than a billion dollars are now invested in these municipal parks. The total area of national parks is 8,027,216 acres, and the cost of administration and improvement is 12 million dollars annually.<sup>127</sup>

In spite of these substantial strides forward, much ground is yet to be covered. In 1930, of the cities of 30,000 population and over, 174 had no public parks whatever; and of the cities of 2,500 and over only 22 percent had any public playgrounds. The total number of play supervisors in 1930 was only 24,949. Dr. Steiner reports that "according to a recent survey 20 percent of the elementary schools in cities having a population of 30,000 to 100,000 had no playgrounds and scarcely 50 percent of the city high schools were provided with either playgrounds or athletic fields."<sup>128</sup>

Only a blind individualism prevents the American people from realizing that the socialization of health and recreation, as well as education, will enable them at the lowest cost to make available the widest access to these privileges which are so essential to the good life.

## 12. *Taxation as an Instrument of Equalization*

The desirability of extending public privileges is generally recognized, but the question of cost proves a stumbling-block to many observers. Where is the money coming from to finance this vast scheme of socialization? This section and the one that follows are devoted to a consideration of this question. Before considering the possibilities of taxation as a source of funds, let me record the opinion that *the yield from this source will be utterly inadequate and must be supplemented by direct social appropriation of the proceeds of industry through social ownership of the basic industries and efficient operation by means of social planning.* Nevertheless, the potential returns from taxation are vast beyond most persons' realization.

Let us begin with the income tax and examine the returns filed during recent years. In forming a judgment as to the meaning of these figures, we must constantly remember that the interest received

from tax-exempt bonds is not subject to the income tax. As the result of a comprehensive investigation of debt and income under the auspices of the Twentieth Century Fund, Evans Clark says: "The volume of securities wholly exempt from the federal income tax has grown to approximately \$26 billion. In addition, there are some \$12 billion of federal securities which are exempt from the normal tax only."<sup>129</sup> Moreover, there are many devices which enable an individual to avoid the payment of taxes on portions of his income. In spite of these limitations, the possibilities of income taxation as a source of revenue are stupendous. If persons in the income class \$25,000-and-over had been limited by graduated rates of taxation to \$20,000 each, if those in the class \$10,000-and-under-\$25,000 had been limited to \$10,000 each, and if those in the class \$5,000-and-under-\$10,000 had been limited to \$5,000 each, the yield for recent years would have been as follows:

<i>Income Class (Thousands of Dollars)</i>	<i>Number of Returns</i>	<i>Net Income</i>	<i>Income at Suggested Ratios</i>	<i>Balance of Reported Incomes</i>
<i>Returns for 1931<sup>1</sup></i>				
5 under 10.....	385,837	\$2,616,072,383	\$1,929,185,000	\$ 686,887,383
10 under 25.....	135,606	1,975,654,697	1,356,060,000	619,594,697
25 and over.....	34,677	2,088,624,962	693,540,000	1,395,084,962
Totals	556,120	\$6,680,352,042	\$3,978,785,000	\$2,701,567,042
<i>Returns for 1930<sup>121</sup></i>				
5 under 10.....	550,977	\$3,723,763,076	\$2,754,885,000	\$ 968,878,076
10 under 25.....	198,762	2,922,750,247	1,987,620,000	935,130,247
25 and over.....	60,692	3,874,574,969	1,213,840,000	2,660,734,969
Totals	810,431	\$10,521,088,292	\$5,956,345,000	\$4,564,743,292
<i>Returns for 1929<sup>122</sup></i>				
5 under 10.....	658,039	\$4,481,575,786	\$3,290,195,000	\$1,191,380,786
10 under 25.....	271,454	4,025,233,375	2,714,540,000	1,310,693,375
25 and over.....	102,578	8,189,085,366	2,051,560,000	6,137,525,366
Totals	1,032,071	\$16,695,894,527	\$8,056,295,000	\$8,639,599,527
<i>Returns for 1928<sup>123</sup></i>				
5 under 10.....	628,766	\$4,282,520,000	\$3,143,830,000	\$1,138,690,000
10 under 25.....	270,889	4,037,853,000	2,708,890,000	1,328,963,000
25 and over.....	111,232	8,635,587,000	2,224,640,000	6,410,947,000
Totals	1,010,887	\$16,955,960,000	\$8,077,360,000	\$8,878,600,000

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5 under 10.....	567,700	\$3,895,759,157	\$2,838,500,000	\$1,057,259,157
10 under 25.....	252,079	3,748,057,507	2,520,790,000	1,227,267,507
25 and over.....	93,818	6,420,375,995	1,876,360,000	4,544,015,995
<b>Totals</b>	<b>913,597</b>	<b>\$14,064,192,659</b>	<b>\$7,235,650,000</b>	<b>\$6,828,542,659</b>

## Returns for 1926 <sup>185</sup>

5 under 10.....	560,549	\$3,838,954,000	\$2,802,745,000	\$1,036,209,000
10 under 25.....	246,730	3,660,623,000	2,467,300,000	1,193,323,000
25 and over.....	87,589	5,728,082,000	1,751,780,000	3,976,302,000
<b>Totals</b>	<b>894,868</b>	<b>\$13,227,659,000</b>	<b>\$7,021,825,000</b>	<b>\$6,205,834,000</b>

Thus it is apparent that if the various individuals in the three income classes had been permitted to retain \$5,000, \$10,000, and \$20,000 respectively, the amounts remaining in the various years would have been as follows:

1931 .....	\$2,701,567,000
1930 .....	4,564,743,000
1929 .....	8,639,599,000
1928 .....	8,878,600,000
1927 .....	6,828,542,000
1926 .....	6,205,834,000

\$37,818,885,000

Not all these sums would have been available for payment of income tax because the surplus of one year is a source of additional income for the following year; consequently it is necessary to subtract approximately 400 millions annually to cover loss of interest at say 6 percent. But we must also add the interest received by members in these groups from securities which are tax exempt. In recent years, according to official figures, these amounts were: <sup>186</sup>

## Interest Received from Tax-Exempt Securities by Persons with Incomes of \$5,000 and Above

Year	
1930 .....	\$262,282,900
1929 .....	269,941,344
1928 .....	268,192,852
1927 .....	206,907,209
1926 .....	195,491,600

The removal of the tax exempt feature would in reality make available much larger sums annually than are revealed in the above figures. A simple calculation will make this clear. At 4 percent the

interest on the 26 billions of wholly exempt securities is \$1,040,000,000; and at the same rate the interest on the 12 billions of partially exempt securities is 480 millions, or a total of a billion and a half dollars.

It is imperative that this loophole be closed. But a still more serious leakage has been pointed out by John Willard Roberts: "That hole is a piker compared with the really big one through which billions of revenue have been escaping. In enacting the present law, Congress thought it was imposing a heavy tax by running the surtax up to 55%. But that rate is not a tax. It is a mere gesture, for practically nobody pays it. Every wealthy man nowadays has his private corporation into which he has put all his investments. That private corporation may receive a million dollars of dividends but receives them exempt from tax. They are not taxable income when received by a corporation. The income on which a surtax has to be paid is only the dividend that the wealthy man causes his private corporation to declare to himself. . . . The other great hole lies in the tax rate on corporations. Income earned by a corporation and not distributed in dividends is sure to be invested. . . . And yet we are only taxing it less than a quarter of the maximum rate. . . . Now the stopping of both these great holes is a simple scheme, one that is very similar to that long practiced in England. All we need to do is to tax the corporation at the highest of all income tax rates—and then allow each stockholder credit or refund of his proportionate share of the tax paid by the corporation, provided that tax, paid by the corporation is included by him as part of his income, so as to have his return include his proportionate share of the corporation's income before taxes." <sup>187</sup>

In order to realize the vast possibilities of securing additional revenue by closing the loophole through which income tax payments are avoided by forming a private corporation, we must examine the income tax returns. Here is an illuminating table: <sup>188</sup>

<i>TAX-EXEMPT INCOME RECEIVED BY AMERICAN CORPORATIONS</i>					
(Millions of Dollars)					
	1930	1929	1928	1927	1926
From dividends on capital stock of domestic corporations .....	\$1,590.5	\$1,706.2	\$1,916.7	\$1,658.1	\$1,506.2
From interest on Federal, State and municipal bonds.....	189.5	175.1	593.5	500.8	499.6
Totals .....	\$1,780.0	\$1,881.3	\$2,510.2	\$2,158.9	\$2,005.8

The abolition of the tax exempt feature in connection with all securities has been advocated by many high officials, including Secretary Mellon.<sup>139</sup> Secretary Hull, while in the United States Senate, introduced a proposed amendment to the Constitution authorizing the taxation of all securities. In commenting upon this proposal, an editorial in the American Bankers Association Journal says: "Curiously enough, the impression is widespread that it would be illegal to levy a tax on securities which had been represented as tax exempt when sold. Such a tax, one frequently hears it said in circles which might be expected to know better, simply could not be imposed because it would be in violation of the due process clause of the Fifth Amendment of the Federal Constitution, which places a limitation on the national Government with respect to deprivation of property. The truth is, however, that by amendment to the Constitution income from securities now tax exempt most certainly could be taxed, for manifestly a constitution cannot be inconsistent with itself. . . . If it is possible to do away with tax exemption now employed by various issues of securities . . . that move is the one which, it may be discovered, is most desired."<sup>140</sup>

In August, 1933, the United States Treasury offered 500 million dollars in Treasury bonds maturing in eight years at  $3\frac{1}{4}$  percent, and in spite of the fact that these bonds did not carry exemption from income surtaxes, the issue was oversubscribed six times, that is, three billion dollars were subscribed on these conditions. In approving the Treasury policy, the *Financial Chronicle* said editorially: "We deem it a mistake to cut off such a large source of revenue as is involved in the surtax levies. . . . We often urged upon both Mr. Mellon and Mr. Mills the discontinuance of the practice of putting out Government obligations that were free from the high surtaxes."<sup>141</sup>

If we choose the year 1926 as the date of the removal of the tax exempt privilege from all securities and assume that thereafter all income from whatever source derived had been subject to taxation, and if we assume that in the same year various loopholes had been closed (including those through which J. P. Morgan, Otto Kahn and other rich individuals escaped payment of any income tax whatever for three years), and if the maximum incomes of \$5,000, \$10,000 and \$20,000 for the three years had been fixed in that year, *the income tax for the six succeeding years would have yielded not only the average of six billions annually* indicated above, but an unknown number

of additional billion dollars annually to the Federal and State governments, however it may have been divided.

The *inheritance tax* likewise is an effective instrument of equalization. If society should decide that it is unwise to permit the passing on of more than \$100,000 to the heirs of the deceased, and should adjust inheritance tax rates accordingly, the yield to the public treasury would be stupendous. The following table is designed to show the results if the heirs of estates of \$100,000-and-under-\$200,000 had been limited to \$50,000; those of \$200,000-and-under-\$1,000,000 had been limited to \$75,000; and those of \$1,000,000-and-over had been limited to \$100,000. The Federal law requires the filing of an estate tax return if the gross value of the estate is \$100,000 or more, and the number of returns in 1931 was 8,333, and in 1930 it was 8,798. The following table, however, embraces only the estates with a net value as high as \$100,000.

*Returns Filed During 1931*<sup>148</sup>

<i>Estate Class (Thousands of Dollars)</i>	<i>Number of Returns</i>	<i>Gross Value (Millions of Dollars)</i>	<i>Net Value After Deductions* (Millions of Dollars)</i>	<i>Allocated to Heirs† (Millions of Dollars)</i>	<i>Balance (Millions of Dollars)</i>
100 under 200.....	1,100	342.1	284.9	55.0	229.9
200 under 1,000...	1,569	1,096.0	958.3	117.7	840.6
1,000 under 10,000.	412	1,166.4	1,054.9	41.2	1,013.7
10,000 and over...	17	521.6	507.5	1.7	505.8
Totals ....	3,098	\$3,126.1	\$2,805.6	\$215.6	\$2,590.0

*Returns Filed During 1930*<sup>144</sup>

100 under 200.....	1,235	\$ 383.9	\$ 321.9	\$ 61.8	\$ 260.1
200 under 1,000...	1,820	1,212.4	1,057.1	136.6	920.5
1,000 under 10,000.	464	1,317.2	1,223.6	46.4	1,177.2
10,000 and over...	15	264.8	256.0	1.5	254.5
Totals .....	3,534	\$3,178.3	\$2,858.6	\$246.3	\$2,612.3

It is obvious that these calculations are only rough approximations. It may be that more, or perhaps less, than \$25,000 should be allowed as the average cost of administrative expense in the settle-

\* Deductions include "debts, unpaid mortgages, etc.," and an average of \$25,000 for administrative expenses in settling the estate, varying with its size.

† Allocations to joint heirs on following basis: \$100,000-under-\$200,000 allocated \$50,000; \$200,000-under-\$1,000,000 allocated \$75,000; \$1,000,000-and-above allocated \$100,000.

ment of these estates, and it is entirely possible that other deductions should be made. Moreover, it is likely that the immediate effort to appropriate for society the entire value of these estates above the minimums suggested would encounter many serious difficulties. Nevertheless, as estimates of the potential yield these tables are impressive. Comparative figures of the gross value of estates for other recent years are as follows: 1931, \$4,042,380,000; 1930, \$4,108,517,000; 1929, \$3,843,514,000; 1928, \$3,503,239,000; 1927, \$3,146,290,000; 1926, \$3,386,267,000.<sup>144</sup> At least two billion dollars annually are waiting to be appropriated by the inheritance tax and devoted to the public use. The law of diminishing returns would undoubtedly operate, but for many years to come the yield from the estate tax would be considerable if sufficiently high rates were levied.

If an ethical question is raised as to the justice of depriving the heirs of so large a proportion of these estates, the reply is warranted that the welfare of society in general is paramount. If we estimate 10 direct heirs for every estate, the number of heirs of these large estates was 30,980 in 1931, and 35,340 in 1930. Surely social justice demands that this small section of the population shall not be permitted to frustrate a general program of equalization.

Various corporation taxes, excess profits taxes and luxury taxes are also available for rigorous use whenever society decides drastically to limit wealth and income. Land taxes may be adjusted in ways that will lift the burden from small holders and appropriate the unearned income due to rising land values or profits from speculation. The evidence leaves no basis for doubt that taxation as an instrument of equalization has stupendous possibilities.

### *13. Social Planning*

Extensive exploration of ways and means reveals the fact that equality of privilege on a satisfactory level of living awaits social ownership of the primary sources of wealth and the efficient utilization of these industries through social planning. Only the blindest of blind individualists continue to deny the need for planning our productive and distributive processes, but there are many types of planning with conflicting ends in view. Mussolini believes in planning as ardently as does Stalin. The social planning of Gerard Swope is utterly different from that of Norman Thomas.

Social-planners in the United States may be roughly divided into three groups: those who desire ownership and control of industry to



remain in private hands, subject however to alert supervision and coercion by governmental authorities; those who maintain that effective social planning is possible only after the violent seizure of power and the establishment of a proletarian dictatorship; and those who advocate the socializing of industry by as rapid stages as the winning of public opinion and the organization of the workers, consumers and voters make possible, with a continuous widening of the area covered by social ownership and social planning. The first of these groups is represented by the Roosevelt administration and by liberals in general; the second by Communists and near-communists; and the third by the Socialist Party and numerous non-party radicals.<sup>145</sup>

Many reasons for rejecting the first of these procedures as being inadequate have been outlined at length in the preceding sections, and the basis of my refusal to take the second of these pathways is set forth in the succeeding chapter. The history of governmental efforts to regulate and control huge private corporations offers no hope that social planning by private owners under official supervision will lead the workers to equality of economic privilege.

National planning designed to create a prosperous society in which all people will dwell on approximately the same level of privilege is incompatible with capitalism, the very essence of which is struggle for special privilege through competition and triumph over other contenders for a disproportionate share of the proceeds of industry. Rigorous social planning is consistent with private ownership and capitalist control of government, as is now illustrated in Fascist Italy, but not with capitalism as it has hitherto operated in the United States. One has only to examine such proposals as those of Gerard Swope and the Committee on Continuity of Business and Employment of the United States Chamber of Commerce to discover their superficiality and inadequacy.<sup>146</sup> Under the N. I. R. A. it is assumed that owners of industry have a right to appropriate profits even though the minimum wage paid is only \$12 to \$15 per week, and the average wage in vast areas does not exceed \$20, while millions upon millions of adults are unable to find regular employment at any wage. Planning under capitalism is aimed at stabilization of industry in order that profits may be secure. And even if the rate of return to capital is reduced in order that wages may be raised above the starvation level, the elimination of huge incomes is not listed as an objective. Indeed, it is evident that much of the popularity among business men of the idea of social planning under the New Deal is due to the fact

that profits were rapidly disappearing and to the consequent desperate desire of owners and investors to find a way of escape. Business men turned to planning in their hour of extremity, but the first sight of returning prosperity will again intoxicate them with the passion for private gain through the competitive struggle. President Roosevelt has said repeatedly that the N. R. A. consists of a series of emergency measures, and that he does not desire the permanent control of business by government.

Just one year before he assumed high office as one of President Roosevelt's trusted advisers, Rexford G. Tugwell discussed the difficulties of capitalist planning in these words: "It would be as unnatural for American businesses, which live by adventures in competition, to abdicate their privileges voluntarily, as it is to expect rival militarists to maintain peace, and for the same reason. . . . The deadliest and most subtle enemy of speculative profit-making which could be devised would be an implemented scheme for planning production. . . . Every depression period wearies us with insecurity; the majority of us seem all to be whipped at once; and what we long for temporarily is safety rather than adventure. Planning seems at first to offer this safety and so gains a good deal of unconsidered support. But when it is discovered that planning for production means planning for consumption too; that something more is involved than simple limitation to amounts which can be sold at any price producers temporarily happen to find best for themselves; that profits must be limited and their uses controlled; that what really is implied is something not unlike an integrated group of enterprises run for its consumers rather than for its owners—when all this gradually appears, there is likely to be a great changing of sides."<sup>147</sup>

Dr. Tugwell then projects himself into the future and writes: "The setting up of even an emasculated and ineffective central coordinating body in Washington will form a focus about which recognition may gradually gather. . . . The institutions of laissez faire have become so much a part of the fabric of modern life that the untangling and removing of their tissues will be almost like dispensing with civilization itself. We shall all of us be made unhappy in one way or another; for things we love as well as things that are only privileges will have to go. . . . The first series of changes will have to do with statutes, with constitutions, and with government. The intention of eighteenth and nineteenth century law was to install and protect the principle of conflict; this, if we begin to plan, we shall be

changing once for all, and it will require the laying of rough, unholy hands on many a sacred precedent, doubtless calling on an enlarged and nationalized police power for enforcement. We shall also have to give up a distinction of great consequence, and very dear to many a legalistic heart, but economically quite absurd, between private and public or quasi-public employments. There is no private business, if by that we mean one of no consequence to anyone but its proprietors; and so none exempt from compulsion to serve a planned public interest . . . business will logically be required to disappear. This is not an overstatement for the sake of emphasis; it is literally meant. The essence of business is its free venture for profits in an unregulated economy. Planning implies guidance of capital uses; this would limit entrance into or expansion of operations. Planning also implies adjustment of production to consumption; and there is no way of accomplishing this except through a control of prices and of profit margins. . . . To take away from business its freedom of venture and of expansion, and to limit the profits it may acquire, is to destroy it as business and to make of it something else. That something else has no name; we can only wonder what it may be like and whether all the fearsome predictions concerning it will come true. The traditional incentives, hope of money-making, and fear of money-loss, will be weakened; and a kind of civil-service loyalty and fervor will need to grow gradually into acceptance. . . . Little by little, however, *we may be driven the whole length of this road*; once the first step is taken, which we seem about to take, that road will begin to suggest itself as the way to a civilized industry. For it will become more and more clear, as thinking and discussion centers on industrial and economic rather than business problems, that *not very much is to be gained until the last step has been taken.*" <sup>148</sup>

In one respect, Dr. Tugwell is mistaken. "That something else" does have a name. It is socialism, the inauguration of which is a prerequisite of social planning for equalization of privilege. The New Deal must lead on to the New Day of socialism, or its consolidation of the power of trade associations is likely to lead to social planning along Fascist lines.

The incompatibility of national planning with capitalistic production is clearly presented by Dr. B. M. Anderson, Jr., economist of the Chase National Bank, as follows: "In general it is not the function of government under the capitalist system to produce or to perform economic services. The actual direction of industry, the de-

cision whether more wheat shall be planted and less corn, or more shoes shall be produced and less hats, is not made by the state or by collective society but is left to the choice of independent producers. . . . Under this system of free, private enterprise with free movement of labor and capital from industry to industry the tendency is for an automatic balance to be maintained and for goods and services to be supplied in right proportions. A social order is created, a social cooperation is worked out, largely unconsciously and largely automatic, under the play of the impersonal forces of market prices and wages. . . . *Here, then, is the central contrast between capitalism and socialism*—in the problem of coordinating the economic activities of men and making a social order. Capitalism relies upon the unconscious, automatic functioning of the markets. Socialism must do it, if at all, by conscious public planning, a central brain guiding, controlling, and regimenting the masses of men, controlling production, controlling consumption, controlling distribution of wealth, and in a large measure regulating the lives and activities of men.”<sup>149</sup> This statement by Dr. Anderson was presented at a hearing before a Senate committee by Albert H. Wiggin, Chairman of the Governing Board of the Chase National Bank, with these words: “I would like to have it read as representing my suggestions in connection with the situation.”

There is much more realism in Dr. Anderson's words than in much of the current discussion of social planning under capitalism, and time and energy will be conserved if we abandon the futile effort to prove that capitalism can plan in a satisfactory manner, and proceed with the enormously difficult but necessary task of socializing industry as a means of planning efficiently.

It is, of course, impossible at this moment to draw a blue print of industry in the United States as it would appear under advanced socialism. In Soviet Russia amazing results have been achieved through social planning on a vast national scale, but a Five Year Plan along the Russian line is impracticable in this country, and will remain so until practically all productive and distributive processes are publicly owned and operated. Such a plan, furthermore, calls for a dictatorship to carry it through. Socialists envisage socialization and planning as being introduced by stages, as rapid stages as possible.

Mr. Paul Blanshard thus outlines an effective procedure: “Socialists propose to supplant the competitive planning of capitalism with a highly centralized planned economy . . . we Socialists would na-

tionalize as many large industries as we could chew—and as speedily as such mastication could be accomplished. We would do it by peaceful democratic means unless Fascists and other reactionaries prevented peaceful change. Probably we would remodel industry into a series of great trusts, each trust to be ruled by tripartite functional industrial democracy. The manual workers, the technicians, and the consumers would each have one vote in controlling the industry. A national planning commission at Washington would have plenary power over prices and technical methods. All socialized industry would be coordinated in a national industrial parliament where workers, technicians, and consumers would control and own. The function of the capitalist would be taken over by the collective organization. Money for plant expansion would come out of the earnings of industry directly, instead of, as now, circuitously through the pockets of investors and manipulators. There would be complete collective price control and planning for production. Of course there would be complete social insurance, including old-age pensions, health insurance, and unemployment insurance. . . . Probably banking would be completely nationalized, with a managed currency.”<sup>150</sup>

The national resources of this country are so varied and so vast, and the technological processes available are so highly productive, that plenty for all could easily be supplied if only the American people had the wisdom to cease relying upon the anarchistic production of competitive, profit-seeking capitalism, and possessed the courage to travel the highway that leads to planned production and equalized distribution under socialism.<sup>151</sup>

#### *14. World Planning*

Socialists are internationalists and pacifists. The last platform of the Socialist Party of America declares that “the Socialist party is opposed to all war,” and its candidate for President has long been known as one of the outstanding pacifists of the nation, having maintained opposition to the World War throughout that struggle. A poll of the Fellowship of Reconciliation, the largest pacifist organization in this country, showed that a considerable majority of its members support the Socialist Party. The Socialist program against war and in behalf of world peace and justice and friendship may be conveniently discussed under five headings.<sup>152</sup>

World organization is essential to peace. International anarchy, the utter inadequacy of international law and agencies of justice, was a primary cause of the World War. In spite of greed and hatred, that conflagration probably could have been prevented if there had existed an effective international clearing-house for emergency action. Contrary to popular opinion, that conflict was not deliberately precipitated by any nation. Austria wanted to chastise Serbia, but did not desire a general European war. Russia was eager to crush Austria, but did not seek an armed test with Germany. In not a single nation did the government desire or seek a European or world war. "Blind to danger and deaf to advice as were the statesmen of the three despotic Empires," writes Professor Gooch, the foremost British authority on the causes of the war, "*not one of them, when it came to the point, desired to set the world alight.* But though they may be acquitted of the inexpiable crime of deliberately starting the avalanche, they must jointly bear the reproach of having chosen the path which led to the abyss. The outbreak of the Great War, however, is the condemnation not only of the performers who strutted for a brief hour across the stage, *but above all of the international anarchy* which they inherited and which they did little to abate." <sup>153</sup>

The testimony of the outstanding American authority, Professor Sidney B. Fay, is equally emphatic. "*None of the Powers wanted a European war,*" he asserts. "Their governing rulers and ministers, with very few exceptions, all foresaw that it must be a frightful struggle, in which the political results were not absolutely certain, but in which the loss of life, suffering and economic consequences were bound to be terrible. . . . Germany did not plot a European War, did not want one, and made genuine, though too belated efforts, to avoid one. . . . While it is true that Germany, no less than all the other Great Powers, did some things which contributed to produce a situation which ultimately resulted in the World War, it is altogether false to say that she deliberately plotted to bring it about or was solely responsible for it. On the contrary, she worked more effectively than any other Great Power, except England, to avert it, not only in the last days of July, 1914, but also in the year immediately preceding." <sup>154</sup> International anarchy was so paralyzing to effective action that the nations stumbled and staggered into a war which they did not seek or desire.

Socialists recognize the need for international machinery of peace, including conciliation and arbitration treaties, the World Court, the

League of Nations, and the International Labor Organization. They have no difficulty whatever in explaining the tragic weakness and inadequacy of these agencies up to the present moment. To them it is obvious that the source of the League's relative impotency is found in the national policies of the great powers which dominate it and the type of representatives they send to Geneva. As long as the various countries are governed by capitalist or Fascist administrations, the League of Nations will remain relatively paralyzed as an effective instrument of peace. Narrow nationalism with its struggle for special privilege is primarily responsible for war, and therefore Socialists seek to diminish the significance of national boundaries and to create the international mind and heart.

The League of Nations would be a different institution from what it now is if the various countries were governed by Socialists. It would not only still be needed, but could quickly be transformed into a genuine instrument of peace and cooperation. Thus the Socialist platform urges "the entrance of the United States into the League of Nations under conditions which will make it an effective instrument for world peace and renewed cooperation with the working class parties abroad to the end that the League may be transformed from a league of imperialist powers to a democratic assemblage representative of the aspirations of the common people of the world."

A second demand of Socialists is for the abandonment of imperialism; that is, the control of one people by an alien power, whether that control be territorial or economic. This involves the relinquishment of control over the Philippine Islands by the United States, the withdrawal of our armed forces from China and Central America, and the complete repudiation of the policy of armed intervention as a means of attempting to protect the lives and property of our citizens in foreign lands. The recommendations of the Socialist platform include: "The abandonment of every degree of military intervention by the United States in the affairs of other countries. The immediate withdrawal of military forces from Haiti and Nicaragua. The withdrawal of United States military and naval forces from China and the relinquishment of American extra-territorial privileges. The complete independence of the Philippines and the negotiation of treaties with other nations safeguarding the sovereignty of these islands."

Socialists, in the third place, seek the removal of the economic causes of friction and hostility among nations. They regard the

capitalist struggle for control of raw materials, markets, and profitable fields of investment, as the major cause of war. Through the economic section of the League of Nations and through the International Labor Organization, or through other appropriate international agencies, Socialists would endeavor to reach international agreements concerning access to and utilization of raw materials, food, and other basic commodities, the regulation of tariffs, the adjustment of international debts, the investment of capital funds, the fluctuation of currencies and prices, and other vital aspects of world economic affairs.

Disarmament is a fourth demand of Socialists, as may be seen from the following plank in their platform: "The reduction of armaments, leading to the goal of total disarmament by international agreement, if possible, but, if that is not possible, by setting an example ourselves. Soldiers, sailors, and workers unemployed by reason of disarmament to be absorbed where desired, in a program of public works, to be financed in part by the savings due to disarmament. The abolition of conscription, of military training camps and the R. O. T. C. . . ."

And in the fifth place, war resistance is urged by Socialists; that is, the absolute refusal on the part of workers to sanction, support or participate in any war whatsoever. This policy is advocated on the ground that if governments knew in advance that determined bodies of their citizens would stand firmly against war, such knowledge would reduce the likelihood of warlike actions. The most effective form of war resistance would be the complete acceptance of pacifism by organized labor and the announced resolute determination to use the strike as a means of preventing war.

Thus it is apparent that pacifism cannot be made effective without socialism, and that socialism cannot be made effective without the repudiation of war, and the removal of its primary causes: chauvinistic nationalism, imperialism, and militarism.



## Chapter VI

### A SOCIALIST CRITIQUE OF COMMUNIST STRATEGY

COMMUNISTS and Fascists differ at many vital points, but they agree in pouring scorn upon the methods of social change advocated by Socialists, in spite of the fact that both Communists and Fascists call themselves Socialists. Leninists regard themselves as the direct heirs of Karl Marx and therefore the only true interpreters of socialism. Throughout Communist literature one finds frequent references to its adherents as Socialists. "Between 1872 and 1917 the two terms were looked upon as synonymous, or rather the term communism disappeared. With the rise to power in 1917 of Bolshevism in Russia the old distinction between the two terms was revived and sharply accentuated."<sup>1</sup> On the other hand, the Hitlerites have chosen to call themselves National Socialists. No wonder, therefore, that an ordinary layman is confused as to the significance of these fundamentally different systems.

Clarity of thought is not possible unless these parties are differentiated from one another, and therefore in this discussion the word Socialists is used to designate adherents of the Socialist Party of America or the British Labour Party or other members of the Second International, whereas by Communists I mean members or adherents of various Communist parties or groups which belong to the Communist (Third) International, and by Fascists I mean supporters of Mussolini or Hitler or other believers in that philosophy of social control. It must be emphasized at the outset, however, that no *absolute* lines of division can be drawn between these parties. The Socialist Party of America has its right wing, its center and its militant left; and in addition there are the independent Conference for Progressive Labor Action, and the Socialist Labor Party. In England there is the Labour Party, the Socialist League, the Independent Labour Party, and the Communist Party. In France there are these parties: Socialist, Radical Socialist, Republican Socialist,

French Socialist, Communist, and Dissident Communist. More amazing still is the fact that approximately one million Communists switched their votes to Hitler in the last German election.<sup>2</sup> And finally, there are the five divisions of Communists in the United States.

## *2. The Communist Theory of Social Change*

The kind of Socialist program outlined in the previous section is viewed contemptuously by Communists as being too slow and too inadequate. They maintain that capitalism cannot be destroyed except by a violent seizure of power and the establishment of a dictatorship of the proletariat. This double thesis is accepted by all varieties of Communists and by some left-wing Socialists. This is not to say that Communists want civil war or delight in slaughter. They are rather in the position of those army officers who sincerely desire peace but who believe that only through war can security and justice be achieved. "We are not pacifists," wrote Lenin. "We are opposed to imperialist wars over the division of spoils among the capitalists, but we have always considered it absurd for the revolutionary proletariat to disavow revolutionary wars that may prove necessary in the interests of Socialism."<sup>3</sup> And on other occasions, Lenin said: "'Down with war' does not mean to fling the bayonet away. It means the passing of power to another class. . . . The army and the people must merge into one—therein lies the triumph of liberty! Every one must be in possession of arms. To retain freedom, a universal arming of the people is indispensable. . . . There is no other way out, except a proletariat revolution. . . . We are no pacifists, we do not refuse to wage war once the revolutionary class is at the helm. . . ." <sup>4</sup> Lenin went further and demanded that the revolutionary militia "should comprise all citizens of both sexes between the ages of fifteen and sixty. . . . Abolish the police, the bureaucracy, and the standing army. Create a militia consisting of the whole people, women included, generally and universally armed. This is the practical business which should be launched without delay." <sup>5</sup>

Lenin quoted from a chapter in Engels' works which is "a disquisition on the significance of violent revolution. The historical analysis of its role becomes, with Engels, a veritable panegyric on violent revolution." After urging his readers to keep in mind "the repeated declarations of Marx" and especially to "remember the con-

cluding passages of the *Poverty of Philosophy* and the *Communist Manifesto*, with its proud and open declaration of the inevitability of a violent revolution," Lenin continues: "The necessity of systematically fostering among the masses *this* and just this point of view about violent revolution lies at the root of the *whole* of Marx's and Engels' teaching. . . . The replacement of the bourgeois by the proletarian state is impossible without a violent revolution." <sup>6</sup>

Professor Sidney Hook, a brilliant Communist, although not a party member, writes: "For Marx, the use of force in a revolutionary situation was no more a moral problem than the use of fire in ordinary life. . . ." <sup>7</sup> On his own account, Professor Hook continues: ". . . state power will be won not by pencil and ballot-paper but by workers with rifles. . . . Revolutionary terrorism is the answer of the proletariat to the political terrorism of counter-revolution. Its ruthlessness depends upon the strength of the resistance it meets. *Its acts are not excesses but defensive measures.*" <sup>8</sup> (Italics his.) Hundreds of similar quotations could easily be assembled. While Communists abhor the slaughter of civil war, they consider it unavoidable. Thus Lenin wrote: "Capitalists are as incapable of sacrificing their interests as man is incapable of lifting himself by his own bootstraps." <sup>9</sup>

Whereas Socialists seek to capture control of the state and transform it into an instrument of socialization and equalization, Communists believe that the state must be destroyed. Lenin said: ". . . all revolutions which have taken place up to the present have helped to perfect the state machinery, whereas it must be shattered, broken to pieces. This conclusion is the chief and fundamental thesis in the Marxist theory of the state. . . . Marx's idea is that the working class must *break up, shatter* the 'ready-made state machinery,' and not confine itself merely to taking possession of it. . . . (Sprengung, explosion, is the expression used by Engels.)" <sup>10</sup> In condemning the theories of Kautsky, Lenin exclaimed: "But we shall go forward to a break with these traitors to Socialism, and we shall fight for complete destruction of the old state machinery, in such a way that the armed proletariat itself *is the government*. Which is a very different thing." <sup>11</sup>

The existing state, maintain Communists, must be uprooted and replaced by a dictatorship of the armed proletariat, the new régime to be defended by whatever degree of violence and terror is required

to overcome counter-revolution. "A Marxist is one who *extends* the acceptance of class struggle to the acceptance of the *dictatorship of the proletariat*," wrote Lenin. (Italics his.) "Herein lies the deepest difference between a Marxist and an ordinary petty or big bourgeois. On this touchstone it is necessary to test a *real* understanding and acceptance of Marxism." <sup>12</sup>

At the present moment Stalin is undoubtedly the most powerful of all Communist leaders, and therefore his opinions possess great significance. In this fashion he inquires and replies: "Is an upheaval of the kind, is a radical transformation of the old bourgeois system of society, possible without a forcible revolution; is it possible without establishing the dictatorship of the proletariat? Obviously not. To think that such a revolution can be carried out peacefully within the framework of bourgeois democracy, within the framework of the system that is adapted to maintain bourgeois rule, means one of two things. Either it means madness, an inability to understand the normal significance of words; or else it means a cynical repudiation of the proletarian revolution. . . . With reference to the crushing of the exploiters, as one of the chief aims of the dictatorship, Lenin writes: 'Scientifically defined, a dictatorship is an authority based directly on force, an authority which is absolutely unrestricted by any laws or regulations. . . . The dictatorship means . . . power, unlimited power, based on force and not on law.' . . ." <sup>13</sup>

As to whether or not the theory of dictatorship is applicable to other countries than Russia, Stalin asks: "Are not Leninist theory and tactic suitable for, is not their adoption obligatory upon, proletarian parties in *every* land? Was Lenin wrong when he said: 'Bolshevism is a model tactic for *all*?' " <sup>14</sup>

This theme is so crucial to our whole discussion that it seems advisable to cite further evidence. Mr. Wm. Z. Foster, standard bearer of the Communist Party in the last Presidential campaign, writes: "No ruling class ever surrendered to a rising subject class without a last ditch open fight. To put an end to the capitalist system will require a consciously revolutionary act by the great toiling masses, led by the Communist party; that is, the conquest of the State power, the destruction of the State machine created by the ruling class, and the organization of the proletarian dictatorship. The lessons of history allow of no other conclusion . . . the working class cannot itself come into power without civil war. . . . And capitalism

will die sword in hand, fighting in vain to beat back the oncoming revolutionary proletariat." <sup>15</sup>

Dr. Sidney Hook, widely recognized as one of the ablest interpreters of Marx, asks: "What doctrine is essential to Marxism in the sense that it can be used as a touchstone of allegiance to his thought? If the above analysis is valid, it can be categorically stated that it is Marx's theory of the state which distinguishes the true Marxist from the false. . . . If Marx's analysis of the state is valid, then it follows that no fundamental change in the control of the instruments of social production is possible without the overthrow of the state. The overthrow of the state means revolution. Since the acceptance of the class theory of the state is the *sine qua non* of Marxism, to be a Marxist means to be a revolutionist." <sup>16</sup>

The purpose of the dictatorship is the socialization of industry, the collectivizing of agriculture, and the schooling of the entire population in Communist theory and practice, to the end that plenty and freedom and justice may be shared equally by all the people. Communists say that the bloodshed of civil war and the terrors of dictatorship are as nothing in contrast to the appalling abominations of capitalism, and constitute a small price to pay for the values achieved through revolution. As to how long a time will be required to liquidate counter-revolutionary forces and tendencies and to carry through the revolution in thought, Communists are uncertain. It may take a generation, or possibly two or three generations before the process of communization is sufficiently advanced to make permissible the relinquishment of the instruments of coercion. Then will come the moment when "the state will disappear," writes Engels. "The society that organises production anew on the basis of a free and equal association of the producers will put the whole state machine where it will then belong: in the museum of antiquities, side by side with the spinning wheel and the bronze axe." <sup>17</sup> Lenin summarizes the Communist position in this fashion: "The replacement of the bourgeois by the proletarian state is impossible without a violent revolution. The abolition of the proletarian state, i. e., of all states, is only possible through 'withering away.'" <sup>18</sup> As phrased by Trotsky, the ultimate goal is this: "With the final triumph of the soviet revolution, the soviet system will expand and include the whole population, in order thereby to lose the characteristics of the form of state, and melt away into the mighty system of producing and consuming cooperation." <sup>19</sup>

### 3. *Decisive Factors in the Russian Revolution*

Communists not only believe that the forcible overthrow of capitalism is *necessary*, but also are passionately convinced that it is *possible*. They have no doubt whatever that the violent seizure of power and the establishment of a proletarian dictatorship offer the quickest way to create an equitable society. The basis of their expectation is, of course, found in their interpretation of the process of history, and in the actual achievements within Soviet Russia. It is no longer necessary to remain within the domain of theory, the ancient régime in Russia has been annihilated and the dictatorship of the proletariat is the most significant of present realities in that broad territory. What has happened in this country can and must be brought to pass successively in all other lands, they contend.

Before we jump to this conclusion, we should examine the situation in Russia which produced the Bolshevik revolution, and then ascertain whether or not similar conditions now prevail or will ultimately prevail in other nations. Although four score years have passed since Marx and Engels challenged the workers to unite and throw off their chains, *in one country alone has a proletarian government been established*. This fact stands out all the more amazingly when we recall the prediction of Marx and Engels that seizure of power would occur first in France and next in Germany.<sup>20</sup> Engels went so far as to set the date 1885 or thereabouts as the hour of doom for capitalism in these countries.<sup>21</sup> Contrary to all expectations the revolution occurred first—and thus far only—in Russia where it was least anticipated. Why?

Lenin answered: "The fact that the revolution succeeded so quickly and, apparently, at the first superficial glance, so 'radically,' is due to an unusual historical conjuncture where there combined, in a strikingly 'favourable' manner, absolutely dissimilar movements, absolutely different class interests, absolutely opposed political and social tendencies. [Note that "absolutely" is used three times.] . . . We know full well that the proletariat of Russia is less organized, less prepared, and less class-conscious than the proletariat of other countries. It is not its special qualities but rather the special coincidence of historical circumstances that has made the proletariat of Russia for a certain, perhaps very short time, the vanguard of the revolutionary proletariat of the whole world. Russia is a peasant country, it is one of the most backward of European countries. So-

cialism cannot triumph there immediately." Thus we see that Lenin on March 20 and April 8, 1917,\* expressed himself with extreme caution as to the permanence and significance of the February revolution. And in a report to the Petrograd City Conference on April 27, 1917, he said: "And so, the revolution in its first stage developed in a way that no one had expected. . . . A most amazingly unique situation."<sup>22</sup> So much so that H. N. Brailsford writes: "Lenin, as one of his intimates told me, believed, when he made the November revolution, that he was lighting the beacon for the rising of the German working-class: *his own experiment would last, he supposed, at the most four months.*"<sup>23</sup>

What were the factors which in combination produced in Russia this "absolutely" and "most amazingly unique situation?" First and foremost was the appalling economic misery of a vast proportion of the population. Although physical suffering by itself never causes a revolutionary explosion, as may be seen in India and China where the level of economic welfare is far beneath that of pre-war Russia, it is the soil out of which revolution springs. This soil in Russia was rich enough to bring forth a hundred fold. Even before the outbreak of the world conflict, the mass of workers and peasants existed in indescribable poverty. In 1914 the national income per capita in the United States was eight to ten times greater than in Russia.<sup>24</sup> The colossal burden imposed by the waging of the war crushed the Russian people deeper into the mire. Hunger, malnutrition and starvation everywhere abounded. Prices sky-rocketed and even the limited supplies available were beyond the purses of the masses, except on a mere subsistence level. Three months after the February revolution and five months prior to the October overthrow, the government was obliged to concede that the condition of the workers "borders for many categories upon chronic starvation."<sup>25</sup> The bread ration in Petrograd and Moscow was cut to half a pound daily, and in some places the ration was two pounds per week.<sup>26</sup>

Industrial strikes and peasant revolts broke out with increasing frequency as the workers in desperation sought to ward off starvation. During the first two months of 1917 more than 575,000 persons went on strike, a large majority of them in the capital.<sup>27</sup> Vermenichev has calculated that between February and October

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\* In Lenin's collected works the Western calendar is used, whereas in Trotsky's *History of the Russian Revolution* the Orthodox calendar, 13 days earlier, is followed.

there were 5,278 agrarian conflicts with landlords and peasant bourgeoisie.<sup>28</sup> This evidence was interpreted by Trotsky as firmly establishing "the fact that the peasant movement of 1917 was directed in its social foundations not against capitalism, but against the relics of serfdom. . . . In reality the Russian muzhik was completing a business entered upon many centuries before the Bolsheviks appeared in the world. . . . With revolutionary barbarism he was wiping out the barbarism of the middle ages. . . . The 17th, 18th, and 19th centuries of Russian history climbed up on the shoulders of the 20th, and bent it to the ground." <sup>29</sup>

If hunger was the first high explosive of the two Russian revolutions, defeat in war was a close second. The thoroughness with which the old régime was swept away in October did not exceed the degree of demoralization in its army. No great nation in modern times has seen its vaunted war machine collapse so utterly as did the Russian fighting forces in 1917. Thor-like blows from Germany were less destructive than the gnawing of cancerous growth within the higher command and within the ranks at the front.

Altogether about 15 million Russians were mobilized for war. The total number of casualties—dead, wounded, captured—reached the appalling figure of five and a half millions,<sup>30</sup> of whom more than two millions were killed.<sup>31</sup> Blind military leaders pushed a vacillating Czar over the brink of premature general mobilization and thus precipitated the ghastly conflict which was destined to include the "flower" of the nobility among its victims. From the first day of the war, the gross inefficiency of the military and naval caste was tragically revealed, with the result that defeat and disgrace piled upon defeat and disgrace.

The ruler of all the Russias was a futile and pathetic figure, dominated by a strong-willed but incredibly stupid wife, who in turn was under the hypnotic spell of the most loathsome adventurer of modern times. This trio was surrounded by a court of simpletons, debauchés and conspirators. Rasputin could rise to the top only in a pool of slime and corruption. "Your majesty," bemoaned the president of the last Duma, Rodzianko, early in January, 1917, "there is not one reliable or honest man left around you; all the best men have been removed or have retired. There remain only those of ill repute." <sup>32</sup> The worse conditions became, the more frantic were the appeals to the crowned head from the Czarina: "Be Peter the Great, Ivan the Terrible, Emperor Paul—crush them all under



your feet . . . Russia loves to feel the whip.”<sup>33</sup> So little of the handwriting on the wall was the Czar able to read that only a few hours before the royal house of the Romanoffs crumpled up like cardboard, he exclaimed to his Minister of the Court: “Again that fat-bellied Rodzianko has written me a lot of nonsense, which I won’t even bother to answer.”<sup>34</sup>

Mutiny was the dynamic response of desperate and enraged men. In many sections military discipline broke down completely. Back in 1915 flogging had been re-introduced into the Russian army, and officers upon their own initiative used the knout on their troops.<sup>35</sup> Month by month the situation became increasingly intolerable, with morale rapidly being transformed into frenzy. Desertions assumed the proportions of an avalanche and the roads behind the lines were crowded with hungry and enraged men who had thrown down their guns and were headed for home. “The moral condition of the army was hopeless,” wrote Trotsky. “You might describe it by saying that the army as an army no longer existed. Defeats, retreats, and the rottenness of the ruling group had utterly undermined the troops . . . The soldier now looked at a heap of cartridges with the same disgust that he would at a pile of wormy meat . . . Nobody wanted to fight any more, neither the army nor the people.”<sup>36</sup> General Pétain said: “The Russian army is nothing but a façade, it will fall to pieces if it makes a move.”<sup>37</sup>

Concerning the critical period of the February revolution, Trotsky wrote: “One after another, from early morning, the Reserve Guard battalions mutinied before they were led out of the barracks . . . The military revolt had become epidemic. Only those did not mutiny that day who did not get around to it. Toward evening the Semenovskiy regiment joined in, a regiment notorious for its brutal putting down of the Moscow uprising of 1905 . . . The tzarist garrison of the capital, numbering 150,000 soldiers, was dwindling, melting, disappearing. By night it no longer existed . . . The whole truth is that the fabric of the régime had completely decayed; there was not a live thread left . . . The dynasty fell by shaking, like rotten fruit, before the revolution even had time to approach its first problem . . . The country had so radically vomited up the monarchy that it could not ever crawl down the people’s throat again.”<sup>38</sup>

The forces of the February revolution met with so little opposition that the total number killed and wounded was only 1,443.<sup>39</sup> On the ruins of an ancient empire, the Provisional Government was

established. Its leadership made the fatal mistake of attempting to continue the war against Germany, although confronted with countless warnings, such as that of Baron Budberg, commander of a corps at the front: "Only completely crazy people could dream about an offensive at the present time."<sup>40</sup> Hopelessly divided between its right and left wings, no satisfactory program could be agreed upon. The new régime was afraid to touch the holdings of the big landlords or to make substantial inroads into war profits. All efforts to move leftward were sabotaged by conservative elements in the coalition, with the result that the workers and peasants rapidly lost confidence in the new administration and began to wonder what the revolution had really accomplished. The war was being continued; the peasants were still without land, the workers remained in desperate economic need.

Under the circumstances, therefore, it was inevitable that the masses should seek other means of redemption. Fortunately, an instrument of incalculable potential power was at hand in the form of Soviets or councils of workers, peasants and soldiers, which had come into being at the time of the 1905 revolution.<sup>41</sup> Month by month the Soviets took over the responsibilities of administration until their hold upon the majority of the people was unquestionable. "The Soviets of Workers' and Soldiers' Deputies," wrote Lenin on May 7, 1917, "are a form of state without any parallel . . . The Russian Revolution has created the Soviets. No bourgeois country in the world has or can have such state institutions. No Socialist revolution can function with any other state power."<sup>42</sup> And on June 17th Lenin said: "Let me ask you this: Is there any European country, bourgeois, democratic, or republican, where anything resembling our Soviets exists? Your answer is bound to be—no. There is no other place where such institutions do or can exist . . . The Soviets are an institution that does not and cannot exist within, or alongside of, the ordinary bourgeois-parliamentary state."<sup>43</sup> And on the eve of the October revolution, Lenin wrote: "Had not the popular creativeness of the revolutionary classes given rise to the Soviets, the proletarian revolution in Russia would have been hopeless, for there is no doubt that with the old state apparatus, the proletariat could not have retained power, while it is impossible to create a new apparatus all at once."<sup>44</sup>

This system of dual government, with the Soviets alongside the Provisional Government, made it possible for the Bolsheviks to

carry on a continuous and open campaign behind the slogan, "All Power to the Soviets," and later, "All Power to the Bolshevik Soviets." In August the secretariat of the Executive Committee counted up as many as 600 Soviets, with 23 million electors.<sup>45</sup> During the summer and autumn, the party of Lenin carried on a public educational "conspiracy" for the seizure of power in the name of the Soviets. In unmistakable language in the party press and in pamphlets which were sold openly, the workers and peasants were exhorted to overturn the Provisional Government and take power into their own hands.<sup>46</sup> At a corner stand John Reed bought a copy of Lenin's pamphlet, "Will the Bolsheviks Be Able to Hold the State Power?", paying for it with a postage stamp.<sup>47</sup>

So overwhelming was the public desire for peace and bread and land, and so universal and complete was the loss of confidence in the old régime and in the Provisional Government, and so effective the educational campaign, that the Bolsheviks carried everything before them to such a degree that the October revolution in Petrograd, the capital city, was almost bloodless.<sup>48</sup> "The unique thing about the October revolution," wrote Trotsky, "a thing never before observed in so complete a form, was that, thanks to a happy combination of circumstances, the proletarian vanguard had won over the garrison of the capital before the moment of open insurrection. It had not only won them over, but had fortified this conquest through the organization of the Garrison Conference."<sup>49</sup> The strategic Petrograd fortress of Peter and Paul, and the Kronverksky arsenal containing 100,000 rifles, were captured from the inside without the firing of a shot. The central telegraph office of the capital city was taken over by two armed revolutionaries, while the Nikolaevsky railway station was occupied within 15 minutes by a company of the sapper battalion, without resistance.<sup>50</sup> The staff headquarters offered no resistance and was occupied by a small detachment of Red Guards. Even the Winter Palace was captured with a minimum of fighting. The Woman's Battalion attempted a futile and bloodless sortie and then surrendered. At a crucial moment in history, the palace of the Romanoffs was being defended by a battalion of armed women!<sup>51</sup> "It was not necessary to employ force," wrote Trotsky, who was chief director of the October revolution, "for there was no resistance. The insurrectionary masses lifted their elbows and pushed out the lords of yesterday."<sup>52</sup> "The bourgeois classes had expected barri-

cedes, flaming conflagrations, looting, rivers of blood. In reality a silence reigned more terrible than all the thunders of the world."

In Moscow insurrection required eight days before all opposition was crushed, although the revolutionaries outnumbered their opponents by ten to one, according to Muralov, one of the chief leaders of the Moscow insurrection.<sup>53</sup> The fact is now indelibly recorded in history that *the Petrograd insurrection required just 24 hours and was practically bloodless, and that the Moscow insurrection took just eight days, with a relatively small loss of life.*

These then were the factors in the Russian situation which made it possible for the Bolsheviks to seize power. And there were several favorable aspects which made it easier for them to maintain power after they had seized it. The fact that the Russia of revolutionary days had no system of modern roads and highways meant that control of the railroads and rivers gave complete command of transportation. Under such circumstances it was infinitely easier for the Bolsheviks to resist foreign invaders and counter-revolutionaries than would have been the case if the enemy had been able to attack along numerous roads and highways. The imposition of the dictatorship necessitated a degree of control over the entire life of the nation which would have been more bitterly resisted by people previously enjoying more individual freedom than had ever been known by the workers and peasants of Russia, subjected as they had been for centuries to the tyranny of czarism. Then too the fact that the masses of Russia had long been accustomed to an extremely low standard of living made them more willing to endure the rigors of the first years of the dictatorship than would be the case with people who had grown accustomed to many comforts and privileges.

Furthermore, the fact that Russia was predominantly an agricultural country, and therefore to a high degree self-sufficing, diminished the ravages of the revolution. If an advanced stage of industrialism had been reached prior to 1917 and the various sections of the population had been thereby rendered more interdependent, the disastrous effects of smashing the old system and establishing a new régime would have been far more catastrophic even than during the terrible years prior to the launching of the New Economic Policy.

One concluding aspect of the Russian scene must be considered, and that is the question of leadership. Would the course of the October revolution have been the same without the presence of Lenin, Trotsky and the other emigres from abroad? What if the Kaiser's

government had refused to permit Lenin and his companions to cross Germany at a highly critical moment? What difference would it have made if Kerensky had succeeded in arresting Lenin during the 111 days he was in hiding from July 6, 1917 to October 25? What if Trotsky had been detained by the Canadian government until after the Armistice? What would have been the consequences if on the eve of the revolution the Smolny had been seized and the inner group of Bolshevik leaders arrested and executed?

The various letters and official minutes of crucial meetings of the Bolsheviks which have now been published reveal clearly the heavy odds against Lenin as he sought furiously to spur his comrades on to the seizure of power. In a letter to the members of the Central Committee on the very eve of "the" day, Lenin wrote: "With all my power I wish to persuade the comrades that now everything hangs on a hair. . . ." <sup>54</sup> Concerning the controversy between Lenin and his comrades Kamenev and Zinoviev, during which Lenin demanded their expulsion from the party, Trotsky wrote: "It is hardly necessary to explain that the truth in this dramatic dialogue was wholly on Lenin's side. A revolutionary situation cannot be preserved at will. If the Bolsheviks had not seized the power in October and November, in all probability they would not have seized it at all." <sup>55</sup>

Just how much difference the removal of Lenin and Trotsky from the scene would have made can never be known. But one fact at least is incontestable. "*Notwithstanding the number of great social and political crises,*" wrote Trotsky, "*a coincidence of all the conditions necessary to a victorious and stable proletarian revolution has so far occurred but once in history: in Russia in October 1917.*" <sup>56</sup> Not in France or Germany or Italy or England or the United States; only in Russia!

#### 4. *Decisive Factors in the American Scene*

We are now ready to consider the significance of the Russian revolution in relation to the problem of social change in the United States.\* Is the strategy of violent seizure of power and the establishment of a proletarian dictatorship practicable and desirable in this country? Under what circumstances would it be possible for us to follow the Russian example? A violent overturn of the exist-

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\* For further discussion of this problem, see pages 223ff., 320ff.

ing system would require, first of all, the rendering desperate of a vast proportion of the population by hunger and approaching starvation. *One of two conditions must be fulfilled before such a catastrophe could occur in the United States: utter rout in a big war or the complete collapse of the prevailing system of production and distribution.* What is the likelihood that either of these calamities will befall us?

It is easier to predict that the United States will be dragged into another imperialist war than it is to cite convincing evidence that this nation would be disastrously beaten in such a conflict. In almost any conceivable war in which we became involved the fighting would be done in other lands or on the high seas. We are not justified in saying dogmatically that successful invasion of our shores is impossible, but the supporting evidence justifies the assertion that *the likelihood of this country being crushed as Russia was in 1917 is extremely remote and wholly improbable.* To base one's hopes of a proletarian seizure of power upon the rout of the American army and navy by foreign invaders is to build upon a fog of unreality.

That the United States will become involved in a death grapple with other imperialist powers is not only possible but in many quarters is regarded as inevitable. "Under capitalism," wrote Lenin, "particularly in its imperialist stage, wars are unavoidable."<sup>57</sup> The Communist candidate for President, Wm. Z. Foster, is equally emphatic: "War is inevitable under the capitalist system. Imperialism is the era of great world wars. The capitalist imperialists consciously use war as a weapon for furthering their interests just as they do tariffs and dumping. They cold-bloodedly send millions to slaughter in order to eliminate their imperialist competitors and to reduce whole populations to their program of exploitation. The general crisis of capitalism, with its vastly sharpening antagonisms, is fast driving capitalism to a new world war . . ." <sup>58</sup>

Subsequent events may prove that these prophecies were well founded. Certainly the international outlook at the moment is black. The disarmament conference has achieved little, and the nations are engaged in a highly dangerous race of armaments. The world economic conference has ended disastrously, and the great powers are turning to economic nationalism with all its perils to world peace. To date Japan has successfully defied the League of Nations and for the moment at least is firmly entrenched on Chinese soil. France and her allies are resolutely determined to maintain the Treaty of

Versailles and the political status quo in Europe, but not more so than Hitler and Mussolini are resolved to shatter the treaty and gain a new place in the sun.

Before we jump to the conclusion, however, that another great war will soon open the floodgates of revolution in the United States, let us take into account other important factors. There are hopeful aspects of the international situation, and it is by no means certain that America will be dragged into a vast imperialist war. If imperialism be defined as *control* of a people by an alien power, this nation is becoming less imperialistic, not more so. Powerful interests have concluded that the retention of control over the Philippines is not profitable, indeed it is an expensive luxury, and our government is therefore preparing to relinquish authority within the near future. Less and less are we relying upon armed force for the protection of our interests in China, and there is every reason to believe that the system of extraterritoriality will soon be ended. We have taken the Marines out of Nicaragua and have signed a treaty which will bring to an end our regime in Haiti by October, 1934. The Theodore Roosevelt corollary of the Monroe doctrine has been abandoned and the present administration has gone a long way toward repudiating the policy of armed intervention in behalf of the dollar. Indeed, President Franklin D. Roosevelt has said publicly that he is prepared to enter into a treaty with other nations formally renouncing the use of military force in other lands. In his appeal to the heads of governments in May, 1933, he proposed that the nations should "individually agree that they will send no armed force of whatsoever nature across their frontiers."

It must be emphasized that one reason for the tendency to abandon armed intervention by the United States is found in the fact that our economic and financial power is so colossal that we feel less and less need for armed coercion. Financial imperialism leads to terrible exploitation, but it will not precipitate war between the great powers unless supported by armed imperialism.

Tariff wars and debt controversies are certain to have serious economic consequences and to engender bitter feelings, but there is small likelihood that they will involve the United States in war. The Japanese people keenly resent the manner in which they are discriminated against in our immigration policy, but there is no evidence that they are preparing to invade this country in retaliation.

*Even if this nation should go to war with Japan, there is no likelihood whatever that America would be crushed.*

Only those persons who are totally bereft of sight can fail to be alarmed by the black clouds on the international horizon. But so far as the near future is concerned, there are strong reasons for believing that a great war is not inevitable and unavoidable. France and her allies possess such a vast preponderance of fighting strength that there is only a slight possibility that Hitler or Mussolini will be so insane as to rush into armed conflict within the next decade. Much depends upon the way in which the nations take advantage of this breathing spell by removing the most serious causes of hostility and by strengthening international agencies of security and justice.

Three aspects of this problem should be kept vividly in mind: First, there is no certainty that the United States will become a participant in another world war. Second, there is no likelihood whatever that in such an eventuality America would suffer an overwhelming defeat. On the contrary, the industrial and financial resources and the man power of this country are so colossal that victory would be more likely, or at worst there would be an inconclusive outcome. Third, *even if this nation were terribly beaten in a general war, there is no certainty that a Communist revolution would succeed in establishing and maintaining a dictatorship.* There is much more reason to believe that we should witness a Fascist seizure of power.

But what about the second possibility, the complete collapse of the existing system of production and distribution? Is not capitalism decaying so rapidly that it is destined within the near future to crash irretrievably? Before these queries can be satisfactorily answered, attention must be given to the further question as to the degree to which capitalism must deteriorate before it falls. It is obvious that the final crisis of capitalism must be incomparably more severe than the prevailing depression if it is to lead to a Communist revolution. Notwithstanding the appalling volume of suffering in the United States during the past four years, only an infinitesimal proportion of the victims have seriously contemplated the revolutionary destruction of capitalism. There have been riots, threatening demonstrations of unemployed, and occasional armed uprisings on the part of farmers, but all these together constitute only the most elementary beginning of an effective revolutionary movement. All the unemployed, except a small minority, would subside if prosperity



returned and they secured work. The revolting farmers of Iowa and other states would recoil in horror from a workers' dictatorship which would nationalize land and collectivize agriculture. Organized labor is turning its eyes leftward, but how feeble and faltering are the steps thus far taken! With 10 to 15 millions of unemployed, with the wheels of industry slowed down to half pace, with the banking system creaking and groaning and for a time altogether ceasing to function, the Communist Party with its appeal for the violent seizure of power has attracted only a handful of workers, chiefly in a dozen metropolitan communities, and exercises only a pathetic influence over the masses of the nation.\* And if the retort is made that the record of the Socialist Party is not much better, that merely strengthens my contention that in the United States a violent revolution is not just around the corner.

The breakdown of capitalism must be far more complete before it can be replaced by communism, and the extent of hunger must become enormously greater than the workers of America have hitherto experienced. It is difficult to be realistic at this point. A sensitive person is so shocked by the realization that millions of human beings in this country are now being subjected to brutal and unnecessary privation that he is likely to overlook the significant fact that *relatively* the working population of the United States enjoys an incomparably higher standard than may be found elsewhere in the world. Much emphasis has been placed upon the significant fact that while living conditions of the masses in capitalist countries have rapidly fallen during recent years, the proletarians of Russia have made substantial gains in wellbeing since the Revolution. Not enough attention, however, has been given to an equally significant fact: the level of material comfort and privilege among American workers in general is still incomparably higher than in the Soviet Union. That there are obvious reasons why this is the case should not blind us to the fact that it is so. After some ten years of residence in Russia, William Henry Chamberlin, correspondent of the *Christian Science Monitor* and author of one of the most illuminating and fairest interpretations of life in that country, found himself in the United States during the weeks prior to the complete suspension of the banks in March, 1933. In a penetrating analysis in the *Atlantic Monthly* he draws a series of contrasts between the

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\* See pages 227, 228, 252.

general situation in the two lands. "What is regarded as acute want in America might easily pass as a satisfactory standard of living in the Soviet Union," he writes. *"The food allotments which our unemployed receive in cities like Milwaukee, where relief work is well organized, are about equal to the normal ration of many employed workers in Russia . . ."* Nothing could be more paradoxical than the causes underlying the crisis in the two countries. In America, supply is far in excess of effective demand; in Russia, demand is much greater than available supply."<sup>59</sup>

Immense significance must be attached to the fact alluded to in Mr. Chamberlin's last sentence. Those of us who spend much of our time in presenting a damning indictment of capitalism will be inexcusably dumb if we slur over or seek to minimize the incalculable importance of the productive capacity of the technological equipment now available in the United States. Even after the unparalleled economic debacle of the past four years, capitalism is still providing the masses of people with a far higher standard of living than has yet been attained by the workers of the Soviet Union, in spite of their spectacular construction under the Five Year Plan. "The Communists lack just what Americans have in great abundance—skilled labor and trained engineers," writes Louis Fischer, one of the most sympathetic of American correspondents in Russia. "The dearth of these will plague Russia for several years at least . . . To appreciate the situation, one must realize the extent of Russia's backwardness. There are millions of Soviet citizens who have never used a telephone, who have never ridden in an automobile . . . There are whole villages without a single clock or watch . . . Stalin, according to rumor, recently stated in private conversation that it would be fifteen years before the Soviet nation learned to operate plants and run machines skillfully."<sup>60</sup>

Capitalism stands nakedly revealed as abhorrent because of the cancer of hunger in the midst of plenty, but the fact remains that in spite of grave maladjustments and cruel exploitation, it is actually affording American workers better living conditions than are to be found elsewhere on earth. Even if the marvelous machines placed in our hands by modern science are used so inefficiently that we are now able to reap only one-third or one-quarter of the potential harvest of food and commodities and services, nevertheless, the flow of comforts and privileges is nowhere else equalled. It is probably true that under communism or socialism the standard of living for

American workers could be increased several fold, but as yet there is no living demonstration of this conviction.

Many radical critics of the present economic order are gravely underestimating the vitality of American capitalism, and are laboring under the illusion that the decaying corpse will shortly be ready for burial. A more realistic interpretation seems to me to be found in the recognition that capitalism is utterly unsatisfactory, coupled with the admission that for a long time to come it will probably continue to dole out just enough rewards to the workers to keep their minds off the serious business of revolution.

This aspect of the situation is so crucial that it deserves further emphasis. Technological progress has been so rapid that the productivity of labor has been enormously increased. The output per wage-earner engaged in manufacturing industries in the United States increased as follows: <sup>61</sup>

In the 15 years from 1899-1914.....	29.6 percent
In the 9 years from 1914-1923.....	20. percent
In the 6 years from 1923-1929.....	22. percent
In the 30 years from 1899-1929.....	71.6 percent

In certain industries the rise was still more extraordinary, the increase from 1914 to 1925 being: <sup>62</sup>

	<i>Percent Increase</i>
Rubber Tires .....	211
Automobiles .....	172
Petroleum .....	83
Cement .....	61
Iron and Steel .....	59
Flour Milling .....	40

This spectacular advance does not begin to represent the potential productivity of the modern machine. If used regularly and efficiently the equipment now available would pour forth a mighty stream of commodities far surpassing in volume all records of the past. The mechanical energy at the disposal of this generation of Americans approximates a billion horsepower. The power of human muscles is about 2,000 kilogram calories per day; by A. D. 1775 man's capacity had been doubled by the utilization of waterwheels, windmills and

other simple devices; while in the United States today "the energy consumed by virtue of coal, oil, natural gas and waterpower alone, is the equivalent of 154,000 kilogram calories per capita per day! . . . some forty times the energy limit of all earlier cultures. The machine age has stepped up our capacity to perform work forty-fold. . ." <sup>63</sup> During the past century the energy resources from coal, oil, natural gas, and water power consumed in this country has grown from 75 trillion to 27,000 trillion British Thermal Units.<sup>64</sup> No wonder Stuart Chase raves about our billion wild horses! *The equivalent of the human labor of over five times the present total world population!* <sup>65</sup> In fifteen years the Buick Motor Company increased its production 1,400 percent, with only a 10 percent increase in labor force.<sup>66</sup> A single modern turbine has a capacity of 300,000 horsepower, or three million times the output of a worker on an eight hour day, and an improved electric shovel can handle 30,000 cubic yards of earth in twenty-four hours, the equivalent of the labor of 15,000 workers on a ten-hour shift.<sup>67</sup>

Agricultural productivity has likewise advanced at an amazing pace. "In the good old days of scythe and flail," says the National Industrial Conference Board, "it required about 60 hours labor for one man to harvest and thresh an acre of wheat. When the self-binder and stationary threshing machine were invented, the time was cut to from 4.5 to 8 man-hours, and with the coming of the 'combine,' as now used in the great wheat fields of the West, the man-labor per acre was reduced to from half an hour to an hour and a half." <sup>68</sup> Similar strides are being taken in other areas of agriculture.

The more we emphasize the potential productivity of modern industry and agriculture, the more damning becomes the indictment of capitalism, and the heavier the responsibility resting upon us to replace it with a system of socialized production and distribution. *But it is sheer stupidity to overlook the possibility or probability that the marvelous technological equipment now in the hands of the capitalists will enable them, in spite of inefficiency and exploitation, to hand out the minimum of comfort and privilege required to deaden the revolutionary spirit among large masses of workers, and thus prolong the life of the profit system.* Professor Laski points out that "it took a generation for Europe to recover from the grim effects of the Napoleonic wars. It is not, therefore, unlikely that, after a similar period of crisis, the world will discover the foundations of a new equilibrium. Nothing, certainly, is gained by a denial of the re-

cuperative power inherent in any social system; there is, as Adam Smith insisted, a great deal of ruin in a nation." At the end of August, 1933, Norman Thomas wrote: "Let me briefly and dogmatically say that under the operation of the National Industrial Recovery Act and the Agricultural Adjustment Act, I think we have an even, or slightly better than even, chance to get out of the depression—which is a very different thing from attaining true prosperity. Capitalism in England and elsewhere, without the blessing of the N. R. A., is once more showing its amazing recuperative power, or perhaps I should say the amazing patience of masses willing to be satisfied with so little." <sup>69</sup>

Even if we assume the speedy collapse of capitalism, there remains to be considered the question as to whether its American victims are likely to shatter the existing state and establish a dictatorship of the proletariat. It is wholly misleading to contend that we are now living under a *dictatorship* of financiers and industrialists. It is true that big business exercises enormous power over the lives of the American people, but it is not accurate to describe the present régime as a dictatorship. When 40 million citizens march to the polls and participate in the election of their governmental representatives, even though they are ignorant and victimized by propaganda; when Communist candidates are permitted to seek a mandate from the electors; when tens of millions of persons come and go at will throughout the nation, exercising a considerable degree of freedom as to their pursuits in life, although multitudes are severely restricted by poverty and unemployment—such a population is not living under a system which may be accurately characterized as a dictatorship. "To label everything capitalist as fascism," writes Earl Browder, "results in destroying all distinction between the various forms of capitalistic rule . . . it would be incorrect to speak of the New Deal as developed fascism." <sup>70</sup>

Even if it could be proved that the present American system is actually a dictatorship, it is not so recognized by its victims, and the psychological significance of this fact can scarcely be exaggerated. For a century and a half the American people have believed themselves to be the possessors of a higher type of liberty than that enjoyed by any other nation. They have repeated the phrases of democracy so endlessly and have boasted so vociferously about freedom that an immense emotional chasm separates them from the Russian peasants and workers whose age-old experience had never carried

them beyond tyranny. In no country known to history have the masses of people ever experienced so cataclysmic a revolution of thought and feeling as would be required before the American people could assent to a dictatorship of the proletariat.

Let us be under no illusions as to what such a dictatorship would mean. In the effort to move swiftly toward an equable society with plenty for all, its leaders would tolerate no opposition. Persons who objected to socialization and collectivization would be considered counter-revolutionists and mercilessly liquidated. A vast spy system would be inaugurated and agents of the "Cheka" would be omnipresent. There would be only the Communist Party and no other political organizations would be tolerated. A rigorous censorship would be inaugurated, with the consequent stamping out of freedom of speech, press and assembly. Only Communist thought would be permitted in the schoolroom. Religion would be proscribed and organized religious education absolutely prohibited, if the Russian example were followed. Workers would be forcibly shifted from one trade to another, and sent here and there wherever they happened to be most needed. Farmers would be compelled to enter collectives or be exiled as counter-revolutionists.

A vivid picture of the terror under proletarian dictatorship as envisaged by Communists is given by Harold J. Laski: "The period of consolidation must be a period of iron dictatorship . . . Revolution provokes counter-revolution; and a victorious proletariat must be on its guard against reaction. Revolution, in fact, demands of the revolutionary class that it secure its purpose by every method at its disposal. It has neither time nor opportunity for compassion or remorse. Its business is to terrorize its opponents into acquiescence. It must disarm antagonism by execution, imprisonment, forced labor, control of the press . . . Revolution is war, and war is founded upon terror. The methods of capitalism must be used for the extinction of capitalism."<sup>71</sup> These are not imaginary possibilities, all are realities under the dictatorship of the proletariat in the Soviet Union. *How can any man in his right mind believe that this generation of Americans would submit to such a régime?*

And if the rejoinder is made that it will not be necessary to secure their consent, the dictatorship will be established and supported by the proletarians, we will inquire: who are the proletarians and how many of them are there in the United States? By what means will they seize power and how will they retain it? Before consider-

ing the answers to these questions, attention should be called to Lenin's unqualified and oft-repeated assertion that successful revolution requires the support of a majority of the people. "The party of the proletariat," he wrote on April 10, 1917, "cannot by any means make its aim to introduce Socialism in a country of small peasantry as long as the overwhelming majority of the population has not realised the necessity of a Socialist revolution." And twelve days later he said: "To become a power, the class-conscious workers must win the majority over to their side. So long as no violence is committed against the masses, there is no other road to power. *We are not Blanquists,\* we are not for the seizure of power by a minority.*"<sup>72</sup> On the eve of the October revolution, Lenin and Trotsky repeated again and again that a vast majority of the Russian people was ready to support a Bolshevik revolution, and subsequent events proved that their judgment was well founded.<sup>73</sup>

In attempting to measure the possibility that a majority of the people will support a proletarian revolution, let us examine the latest census figures of occupations. In 1930 the total number of gainfully employed workers in the United States was just under 49 millions. If we divide the occupations into those that constitute the most fertile soil for revolutionaries and those that are more likely to lean toward conservatism, the result is as follows:<sup>74</sup>

*More Fertile Soil*

Mining .....	984,000
Manufacturing and Mechanical Industries...	14,111,000
Transportation and Communication.....	3,843,000
Farm Wage Workers.....	2,733,000

*Unpromising Revolutionary Soil*

Agriculture (Exclusive of Wage Workers) ..	7,739,000
Trade .....	6,081,000
Domestic and Personal Service.....	4,952,000
Clerical Occupations .....	4,025,000
Professional Service .....	3,254,000
Public Service .....	856,000

It is thus apparent that the first division embraces about 22 million workers, as compared with some 27 millions in the second classification. It would be absurd to maintain that no revolutionaries will

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\* Louis Auguste Blanqui advocated secret conspiracy and seizure of power by a coup d'état.

come from the ranks of trade, clerical occupations or professional services, but Communists would be the first to admit that in the United States these classes offer little hope so far as the violent seizure of power is concerned. Even more significant results are yielded by an analysis of the composition of the first grouping. In this country skilled and semi-skilled workers more often than otherwise are merged indistinguishably with the other members of the middle class, in ideology and status. It is natural therefore that the organized labor movement should be predominantly conservative and cautious. Its members as a rule have too substantial a stake in the existing order to make self-sacrificing revolutionaries, as is revealed in the policies of the American Federation of Labor. The new status accorded the labor movement under the provisions of the National Industrial Recovery Act, and the new responsibilities that now must be borne, are not likely to send its members rushing over the precipice of violent revolution. The history of the labor movement in Great Britain and Germany sheds light upon this aspect of the American scene. Trade union leaders have usually been more conservative in their policies than political leaders of Socialist parties, and thus far it has been impossible to secure vigorous and sustained efforts on the part of powerful unions to abolish capitalism without delay. The trade union movement in the United States is, of course, far more reactionary than in Europe, and the probability of enlisting the big unions as allies of revolutionary forces bent upon the overthrow of capitalism is even more remote than on the Continent.

The evidence is inescapable that this nation is overwhelmingly middle-class or bourgeois in composition. *Genuine proletarians do not constitute more than one-third of the population, while the entire body of completely disinherited—those who have only their chains to lose—probably does not exceed 20 percent.* While it is utterly disgraceful that, in a rich and luxurious nation, millions should be condemned to privation and hunger, we should not be blind to the fact that most Americans do receive rewards from capitalism on a sufficiently extensive scale to make them extremely reluctant to destroy the present system.

The per capita wealth and income in the United States are incomparably higher than anywhere else on earth. The figures for 1930 are given as follows by the National Industrial Conference Board: <sup>75</sup>



	<i>National Wealth</i>	<i>National Income</i>
Per capita of population.....	\$ 2,677	\$ 578
Per gainful worker, including the unemployed.	6,728	1,452
Per family .....	10,961	2,366

The N. I. C. B. estimates that in 1931 the national income dropped to 52 billion dollars, or \$424 per capita, with the prospect that figures for 1932 when available will show a further decline to 40 billions.<sup>76</sup> Yet the total number of savings *accounts* in banks of all kinds throughout the nation in 1932 was more than 44 millions, an impressively large company even after duplications are eliminated, while the aggregate savings *deposits* mounted beyond 24 billion dollars.<sup>77</sup> Out of approximately 30 million families in this country, more than 14 millions own their homes.<sup>78</sup> In spite of the terrible burden of mortgages, "about 60 percent of American farms have no debts on them at all."<sup>79</sup> The total number of life insurance policies in force exceeds 122 millions—almost one for every man, woman and child in the country—with an aggregate value of 108 billion dollars.<sup>80</sup> The total number of registered automobiles exceeds 22 millions, one for every five persons in the land.<sup>81</sup> The total weekly attendance at the movies exceeds 100 million, with an annual expenditure of a billion and a half dollars.<sup>82</sup> The number of radio sets now in use is estimated at some 16 millions.<sup>83</sup> False interpretations are frequently given to these figures, but it is equally erroneous to ignore their tremendous significance. So far as 20 million families in the United States are concerned, it simply is not true that they have nothing to lose but their chains.

The cumulative evidence is so impressive that one is warranted in saying bluntly that it is impossible to secure the support of a majority of this generation of Americans for a program of violent seizure of power and the establishment of a proletarian dictatorship—except in the event of a *crushing defeat* in war, or the *utter collapse* of the existing economic system in a cataclysmic financial and industrial depression. If the Communist Party should fall into the heresy of Blanquism and seek to capture power without enlisting a majority support, the inevitable result would be civil war, with the probability that the revolutionaries would be annihilated and fascism fastened upon the nation.

If we assume that the revolutionary forces constituted a sufficient

minority to make an effective fighting army, then we must predicate a devastating civil war. For a long time to come in the United States, it is entirely improbable that power could be seized speedily and maintained without terrific opposition from counter-revolutionaries. The army, navy, national guards, reserve officers, and police forces are recruited chiefly from the middle class and reflect the point of view of that class. Even if 40 percent, or say half of them, went over to the revolutionaries, the fighting would be fierce and destructive beyond exaggeration. Long ago Engels emphasized the odds against revolutionaries because of "the colossal superiority of the weapons of the state forces over those at the disposal of civilians, which, as a rule, make any resistance by the latter hopeless."<sup>84</sup> Lenin was equally emphatic: "Victory over the bourgeoisie is impossible without a long, persistent, desperate, life and death struggle. . . ." <sup>85</sup> Long! Desperate! Perhaps life and death struggle!

Every war is abhorrent, but civil war is the most ghastly of all. And nowhere would the devastating effects of fratricidal conflict be more annihilating than in a highly industrialized and urbanized country like the United States. Months of war between somewhat equal fighting forces would create a holocaust throughout the nation never surpassed in all history. Supplied with numberless airplanes and vast quantities of poison gas, the red terror and the white terror would alternately scourge the land. Production and distribution would be thrown into utter chaos. Central power houses could easily be crippled alike by revolutionaries and counter-revolutionaries. Continental pipe lines of oil and natural gas could be wrecked by a few blows on strategic valves. Railway tracks could be torn up within a few hours and transportation stopped at important terminals. The food supply of vast metropolitan communities could be shut off and entire populations would quickly face starvation. Under such circumstances, writes Stuart Chase, "lethal epidemics, those great scourges which medical science has steadily been forcing back for a hundred years, will break their fetters overnight, and fall like avenging demons on a population weak with hunger and with thirst. . . . Violent revolutions are bitter medicine, but medicine, in handicraft societies ground down by feudalism. In societies pledged to the machine, they are a lethal poison, swift and terrible."<sup>86</sup> No wonder, therefore, that Reinhold Niebuhr writes: "If violence can be justified at all, its terror must have the tempo of a surgeon's skill and healing must follow quickly upon its wounds."<sup>87</sup> *It is utterly fantastic to*

*imagine that these conditions can be fulfilled in the United States while the present generation is alive.*

The strategy of violent seizure of power must be predicated upon one of three alternatives: either the present system will collapse so utterly that serious fighting will not be required, as was the case in the Petrograd and Moscow insurrections; or the defenders of the existing regime will be sufficiently powerful to crush a minority insurrection; or the contending forces will be so equally divided that prolonged civil war will be necessary before a proletarian dictatorship can be established. Few persons who are familiar with the American scene can be so blind as to base their hopes for a decent society upon the first alternative, while the second possibility has no merit whatever from a radical point of view. These conclusions leave to violent revolutionaries only the prospect of long-continued civil war, followed by the red terror against counter-revolutionaries. And if victory were finally achieved, the productive and distributive system would be so disastrously wrecked that a higher standard of living could not soon be attained.

### *5. The Time Factor in Revolutionary Change*

It is extremely important that we realize the significance of the *time factor* involved in revolutionary seizure of power in the United States. First, there is the season of preparation for the successful insurrection; second, the weeks or months or years of fighting required to establish the dictatorship; third, the period of active terror against counter-revolutionaries; fourth, the time required to socialize production and collectivize agriculture. All these must precede the day when there will be plenty for all, when class divisions will be no more, when Communist thought and practice will be dominant and everyone will be able to live the good life. Just how long a time would be required to take these four steps? *The absolute minimum is fifty years*, with the extreme probability that at least one hundred years would be required. Thus it is obvious that Communist promises of speedy relief are delusions or deceptive propaganda, and that Communist criticism of the Socialist program as being too slow loses much of its validity.

Indeed, Stalin frequently emphasizes the fact that the realization of the Communist objectives is far distant. For instance, he points out that "Marx and Engels regarded the period of the dictatorship

of the proletariat as a more or less prolonged period replete with revolutionary conflicts and civil wars. . . ." After summarizing the objectives of communism, Stalin concludes: "Clearly, we are still remote from such a society." And after calling attention to the ultimate objective of abolishing money as a medium of exchange, he says: "But this time is still remote." <sup>88</sup>

The present weakness and ineffectiveness of the Communist Party in the United States is nowhere more clearly recognized and more frankly admitted than within the ranks of its leaders. Self-criticism is a marked characteristic of Communists everywhere, and it is only necessary to read their literature to realize how relatively impotent their movement really is. In the *Communist*, August, 1933, is an article of 63 pages by Earl Browder, General Secretary of the Communist Party of the United States, most of which is devoted to a ruthless criticism of the activities of his own party. Here are some of his observations: "When we consider the especially favorable conditions for rousing and organizing a real mass movement around our Party, then it is clear that our small successes are important mainly to show the tremendous unused opportunities. . . . During 1932 our membership was doubled. But in the first half of the year of 1933 it has remained stationary. . . . *This is a most serious and alarming fact.* . . . The membership remains around 20,000 with average dues payments of 17,000 to 18,000 per week . . . our membership consists in its majority of unemployed workers, and the proportion of the unemployed constantly rises . . . those new members we recruit are not, except to a small degree, brought from the most important strata of workers—from the basic industries, from mines, from among the steel workers, the railroad workers, etc. . . . our shop work remains disgracefully weak. Only four percent of our members are in shop nuclei; no serious improvement can yet be seen. . . . It is a scandalous situation that in the ten years of the *Daily Worker's* existence and in the fourth year of the crisis, with seventeen million unemployed, with strikes and wage cuts, and struggles of all kinds going on everywhere, the masses beginning to surge upward, even the petty bourgeoisie coming into mass struggles—and the *Daily Worker* circulation does not grow, it goes backward." <sup>89</sup>

The pathetic record of the Communist Party in this country is really astounding when we take into account the extremely favorable opportunities confronting it during the past four years. Its pitiful

failure to make rapid progress under these auspicious circumstances leaves no basis for hope that within the near future it will lead the proletarians in a successful assault upon the citadels of capitalism.

The simple truth is that in no conceivable way can the iniquities of the present system be *speedily* abolished, and by no combination of measures can a really satisfactory social order be created within a generation. Our choice is limited to policies which will move us progressively in the right direction. Inertia, ignorance, tradition, fear, greed, and passion are stubborn realities which cannot be wafted away on revolutionary phrases. The adherents of capitalism, fascism, communism, and socialism are alike unable within a short time to exorcise the plagues of mankind. Agitation, preparation, education and execution require time, time, time. This observation is not, however, a plea for gradualism. Every possible effort must be put forth to secure "Socialism in Our Time," as much socialism as can possibly be achieved. A theory of static socialism is absurd. There will never come a moment when revolutionaries can exclaim, "Today socialism has at long last been brought to pass." Realism demands a dynamic concept. Socialism is a process, not an achievement, and will never be brought to *completion*. The task before us, therefore, is to move forward with as rapid strides as possible toward the goal of an equable society. Personally, I have no doubt whatever that the kind of Socialist program previously outlined herein will carry the people of the United States more swiftly and permanently toward the desired objective than will the Communist strategy.

Indeed, the more boisterously radicals talk about violent seizure of power and proletarian dictatorship, the longer will be the delay in creating a harmonious community with plenty and freedom and justice for all. If revolutionaries would repudiate the technique of war, international and class, and devote themselves courageously and sacrificially to the task of transforming the public mind, and of organizing on the economic and political fronts for the non-violent assumption of power, within half a century an immense distance could be traversed in the direction of a Socialist commonwealth.

*The quickest and surest way to drive the middle class into the arms of fascism is by terrifying them with the prospect of a bloody seizure of power and the maintenance of a proletarian dictatorship with the instruments of terror.* Pouring contempt and vilification upon the bourgeoisie does not alter the fact that in the United States successful revolution is impossible without the consent and coopera-

tion of a substantial section of the middle class. If the transition from capitalism to socialism is to be made without the catastrophic consequences of fratricidal warfare, revolutionary changes in thought must be brought about within the ranks of the bourgeoisie as well as among proletarians.

The testimony of Lenin concerning this point should not be overlooked by Communists: "Russia is a petty-bourgeois country. A gigantic majority of the population belongs to this class. Its vacillations between the bourgeoisie and proletariat are inevitable. Only when it joins the proletariat is the victory of the revolution, of the cause of peace, freedom, and land for the toilers secured—easily, peacefully, quickly, and smoothly."<sup>90</sup> And in passing, let it be remembered that Marx and Engels came from the middle class and that the most influential leaders in the Bolshevik revolution were not proletarians, eleven out of fifteen members of the first Council of Peoples Commissars being intellectuals.<sup>91</sup>

### 6. *Is Peaceful Revolution Possible?*

The thesis that revolutionary changes may be secured in the United States without warlike actions becomes all the more attractive when we recall that Marx and Engels, Lenin and Trotsky have all admitted at various times that possibly the transfer of power may be made peacefully in some countries and under certain conditions. While the preponderance of their testimony is to the contrary, these four revolutionaries are on record as admitting the possibility of "exceptionalism." In the Preface to the English translation of *Das Capital*, Engels referred to the opinion of Marx that possibly violent revolution might be avoided in England. "Surely, at such a moment," writes Engels, "the voice ought to be heard of a man whose whole theory is the result of a life-long study of the economic history and condition of England, and whom that study led to the conclusion that, at least in Europe, England is the only country where the inevitable social revolution might be effected entirely by peaceful and legal means. He certainly never forgot to add that he hardly expected the English ruling classes to submit, without 'a pro-slavery rebellion,' to this peaceful and legal revolution."<sup>92</sup> Just what did Engels mean by adding, "at least in Europe"? Did he have in mind the possibility of peaceful revolution in the United States?

Lenin repeatedly expressed the opinion that peaceful revolution

is possible. Within two months of the October revolution, he wrote: ". . . generally speaking, there have been examples of peaceful and lawful revolutions in history. . . ." <sup>93</sup> During that same week he again wrote: "Now, and only now, perhaps only for a few days or for a week or two, such a government could be created and established in a perfectly peaceful way." <sup>94</sup> In an address before the Provisional Government, on June 17, 1917, Lenin said: "You have lived through the years of 1905 and 1917, you know that a revolution is not made to order, that revolutions in other countries have proceeded along the hard and bloody road of insurrection, while in Russia there is no such group, there is no such class that could offer resistance to the authority of the Soviets. In Russia this revolution is possible, by way of exception, as a peaceful revolution. . . . Only one country in the world will be able to take steps toward stopping the imperialist war immediately through class means, in opposition to the capitalists, without a bloody revolution,—only one country, and that is Russia." <sup>95</sup> On at least seven other occasions during the months between February and October, Lenin repeated his conviction that peaceful seizure of power was possible. <sup>96</sup> And less than three weeks before the October revolution, he wrote to members of the Central Committee and other Bolshevik leaders: "It is quite possible that power can be taken at the present time without an uprising. . . . Victory is assured, and there are nine chances out of ten that it will be bloodless." <sup>97</sup> Three years later, in addressing the Second Congress of the Communist International, Lenin said: "Revolutionists attempt to prove that there is absolutely no way out of the crisis. That is an error. There do not exist any positions from which there is absolutely no way out." <sup>98</sup>

These citations of opinion are not presented as evidence that Marx and Lenin would say that peaceful revolution is now possible in the United States. My only purpose is to show that they did not take the position dogmatically assumed by many of their disciples that no revolutionary transfer of power has ever taken place without war or can ever occur peacefully. The consequences of prolonged civil war in the United States would be so appalling that every conceivable effort should be put forth to bring about the desired revolutionary changes by non-warlike means. In discussing the measures required to "secure a peaceful forward movement of the revolution, a peaceful outcome of the party strife within the Soviets," Lenin wrote: "Perhaps this is already impossible? Perhaps. But if there

is even one chance in a hundred, the attempt at realizing such a possibility would still be worth while." <sup>99</sup>

There is certainly more than one chance in a hundred that an advanced stage of socialism may be reached in the United States without resort to warlike measures, indeed the chances may be thirty-seventy or even fifty-fifty. *Let us therefore repudiate the policy of violent seizure of power and the establishment of a proletarian dictatorship, and settle down to the difficult but highly promising business of changing the public mind and forging the economic and political instruments required for the building of a Socialist commonwealth.*

### 7. *Is a United Front of Communists and Socialists Practicable?*

This brings our discussion to the point where it is desirable to consider the question of a united front on the part of Socialists and Communists against the forces of conservatism and reaction. There is no question involved as to whether all radicals should seek to undermine public confidence in the capitalist system and to promote the idea of socialized property, or whether they should seek the release of Mooney and Billings or attempt to secure justice for the Scottsboro boys, or whether they should seek more adequate relief for the unemployed or the establishment of a satisfactory system of unemployment insurance. The crucial decision has to do with the formation of joint committees composed of Socialists and Communists, or other forms of official cooperation between these parties.

There are obvious advantages in cooperative endeavors for mutually desired objectives, but from the point of view of Socialists who have rejected the method of warlike revolution, the losses seem to me to outweigh the gains. Both the Socialist Party of America and the British Labour Party have decided that it is fruitless to attempt a genuine united front with Communist parties. In presenting reasons for this conclusion, it is necessary to review the history of the united front and to draw lessons from experience.

Since 1921 the Communist International has made numerous efforts to secure a united front. On what basis? Here is the official statement: "The Communist International openly announces to the millions of workers of the whole world that there cannot be genuine working class unity without a struggle for the violent overthrow of the whole existing capitalist order, for the establishment of proletarian dictatorship." This May First Manifesto is quoted at the end of an



article on the united front in the May, 1933, issue of *The Communist*, the official organ of the Communist Party of the United States. In this article C. A. Hathaway, Editor of *The Daily Worker*, an official organ of the Communist Party, in referring to the Socialist candidate for President, says: "So far as terms are concerned we can promise Mr. Thomas the most honorable terms, namely *the unqualified acceptance* (by the Socialists and by us) *of the principles of class struggle laid down by Marx and Lenin.*" That is to say, a united front for the violent seizure of power and the establishment of a proletarian dictatorship. On April 9, 1933, the Communist International appealed to the German laboring masses to form a united front so as "to prepare the masses for decisive revolutionary battles and to overthrow capitalism and Fascist dictatorship by means of armed revolt."<sup>100</sup> There is no mystery about the eagerness of Communists to secure a united front on these honorable terms! As early as 1921 the Communist International said frankly that the real purpose of the united front movement is to bore from within other organizations with the expectation of drawing members into that party. Here are the exact words: "The time will come when entire and now still powerful Social Democratic parties will collapse, or if they persist in their treachery, will burst like soap bubbles; and when whole strata of the social democratic workers will come over to us. *The tactics of the united front further and . . . expedite this process.*"<sup>101</sup>

The primary idea behind the Communist effort to secure a united front is expressed with crystal clarity by Secretary Browder: "The united front is not a peace pact with the reformists. *The united front is a method of struggle against the reformists, against the social-fascists, for the possession of the masses . . . it is absolutely necessary to convince each worker in the Socialist Party, Musteites or A. F. of L., through his own contact, that the Communists are the only sincere, active and efficient fighters for unity in the struggle for their own daily needs . . . we have a tendency to neglect or slur over differences in principle between the Communists and the social-fascist leaders. We can never win the workers to a united front struggle, which means winning them away from the social-fascist influence, unless we meet squarely and explain sharply the basic differences between us and them.*"<sup>102</sup>

Communist strategy is frankly directed toward the disruption of Socialist organizations and the discrediting of Socialist leadership.

In an official Communist organ, C. A. Hathaway writes: "The Socialists have not received the attention that they must receive. . . . We have to get down to bedrock in our fight against the Socialists and against the bourgeois demagogues. We are never going to be able to break the masses away from their influence if we continue to carry on our activity on the basis of just phrases, etc. . . ." <sup>103</sup> In the press and on the platform every possible effort is made to undermine and destroy Socialist influence. "Filthy froth on the surface of the world labour movement" is the way Lenin described members of the British Labour Party, while "stinking corpse" was the designation of the German Social Democratic party by Rosa Luxemburg. <sup>104</sup> Communist literature in the United States abounds with vivid descriptions of Norman Thomas and other Socialist officials in such phrases as these: "Thus, Norman Thomas, leader of the socialist party . . . proves that the role of the socialist party is—to assist fascism in placing its iron ring around the necks of the workers <sup>105</sup> . . . the paralyzing pacifist poison of Thomas and the social-fascists <sup>106</sup> . . . the socialist party is the third capitalist party and is allied with the gangsters and bosses and is the most ruthless tool in the hands of the capitalists against the workers. <sup>107</sup> . . . We charge the Socialist Party Executive with the criminal responsibility for the disunity of the workers <sup>108</sup> . . . treacherous mis-leaders . . . enemies of the workers <sup>109</sup> . . . the chief force in the working class which disorganizes, demoralizes and prevents the consolidation of the forces of revolution. <sup>110</sup> . . . On the eve of a new imperialist war, the Socialist Party of the United States is doing all it can to help the bosses by drumming up a chauvinistic spirit behind the Roosevelt slave and war program." <sup>111</sup> The Communist candidate for President, Wm. Z. Foster, uses this language: "The Socialist parties of the world are the third parties of capitalism . . . the principal barrier to the revolution . . . a maid-of-all work for the capitalist class . . . The Socialist party stabs the working class in the back. . . ." <sup>112</sup>

There cannot be any doubt whatever that Communists are working for the violent seizure of power and are seeking to cripple and destroy the Socialist movement. Still another factor must be taken into account by those persons who repudiate warlike revolution, and that is the nature of Communist organization. The Communist Party of the United States is not an autonomous party, federated with other independent units in the Communist International. It is a section of a world party of Communists and is controlled from

Moscow. The supreme organs of the Third International are a World Congress, an Executive Committee, and a Praesidium. The Executive Committee "has the power to issue imperative instructions to its sections and to exercise control over their activities. It may annul or amend any decision adopted by the executive committee or by the national conference of any Communist party. It may issue obligatory orders and may expel individuals, groups or whole parties for alleged violations of Communist principles and policies."<sup>113</sup> Three-fourths of the membership of this world party are citizens of the Soviet Union, and the eleven members of the all-important Praesidium meet fortnightly in Moscow.<sup>114</sup> It is inevitable that such an organization should follow the pattern of the Russian revolution, even though conditions in the United States are utterly different from those under czarism.

When Stalin was asked by an American delegation for an opinion as to whether it is possible "to unite the Second and Third Internationals," he replied: "I think it is impossible. It is impossible because the Second and Third Internationals have two entirely different viewpoints and have two different objects in view . . . I do not think they can be united." In listing "the duties of the Communist Parties," Stalin wrote: "Firstly, to carry on an incessant struggle against Social-Democracy along every line, both economic and political, including the exposure of every form of pacifism, with the object of winning over the majority of the working class. . . . The most popular method of lulling the working class and diverting it from the struggle against the danger of war is present-day pacifism, with its League of Nations, the gospel of 'peace,' the 'outlawry' of war, the nonsense about 'disarmament,' and so forth. . . . And the most important thing in all this is the fact that Social-Democracy is the principal conveyor of imperialist pacifism among the working class, and is, therefore, the principal support of capitalism within the working class in the matter of preparation for new wars and for intervention. . . . Developing an irreconcilable struggle against Social-Democracy, which represents the agency of capitalism within the working class, and smashing to atoms each and every deviation from Leninism, which brings grist to the mill of Social-Democracy, the Communist Parties have shown that they are on the right track."<sup>115</sup>

Thus we see that there is abundant justification for the statement by C. A. Hathaway: "These fundamental differences create an unbridgeable chasm between the Socialist Party and the Communist

Party.”<sup>116</sup> *Under such circumstances, there can be no reality to the united front movement, and efforts in this direction are an unwise expenditure of thought and energy.\** In those numerous cases of objectives which are mutually sought by Socialists and Communists, let each group carry on its own program. The over-lapping and decreased efficiency will be less expensive than the cost of attempting to bridge an unbridgeable chasm. A significant analogy may be found in the dilemma confronting the Bolsheviks when they had to decide whether or not to fight Kornilov at the time he was seeking to overthrow the Kerensky regime. The Bolsheviks were opposed to both Kornilov and Kerensky. Should they support the latter by fighting the former? This is the way the problem was solved by Lenin: “One may ask: must we not fight against Kornilov? Of course we must! . . . We will fight, we are fighting against Kornilov, even as Kerensky’s troops do, but we do not support Kerensky. *On the contrary*, we expose his weakness. There is this difference. It is rather a subtle difference, but it is highly essential and one must not forget it.”<sup>117</sup> Socialists and Communists alike must struggle against the injustices and cruelties of capitalism, but the former must refuse to support the latter’s policy of violent seizure of power and the maintenance by terror of a proletarian dictatorship.<sup>118</sup>

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\* For a discussion of united front efforts in Germany and in Great Britain, see pages 244, 253, 254.

## Chapter VII

### THE MENACE OF FASCISM

#### *1. The Origin and Development of Fascism Under Mussolini*

WHETHER or not Socialists and Communists are able to present a united front, they cannot afford to minimize the menace presented by the rise of fascism in various countries. A cumulative mass of evidence reveals clearly that fascism, rather than capitalism, constitutes the most formidable barrier to a just society. Two great nations, embracing a hundred million people, have already passed under the supreme authority of Fascist administrations, and in several other countries the influence of Fascists is rapidly increasing.

Just what is fascism? What were the dynamic factors in the Italian situation which catapulted Mussolini into the seat of power? What are the basic elements in the political and economic program of Italian fascists?

The absolute dominance of the state over all aspects of the lives of its citizens is the central thesis of fascism, with governmental control vested in the hierarchy of the Fascist Party. A striking family resemblance with ancient despotisms and, by an extraordinary paradox, with the Communist Party of Soviet Russia, is quickly apparent. All power to the state, and all state-power to the party! And all party-power to Mussolini!

The Fascist régime is a direct product of the World War, like its antithesis the Communist Party of Russia. The economic, political, and emotional soil of postwar Italy was admirably adapted to black-shirt seed. Prices were soaring, war-profits were no longer enriching industrialists, wages were being sliced, and the government deficit was mounting. Cabinet after cabinet was overturned by the tidal wave of discontent and distress (private citizen Herbert Hoover can furnish vivid details of another well-known deluge). While Italy technically won the war, and recovered certain "lost provinces,"

her people bitterly resented the "betrayal" of her allies in not fulfilling war-time treaties. National frustration and humiliation prepared the way for revolution.

All this appeared as the fulfillment of radical prophecy and was interpreted as the signal for the violent seizure of power. The gospel of violence had long before found lodgment in the labor and syndicalist and socialist movements of Italy, Sorel having many disciples in the land. Mussolini himself had previously turned from syndicalism to socialism to diluted anarchism. As a youth he had been taught by his revolutionary father that "the political system in Italy must be overthrown by violence."<sup>1</sup> Years later, from the pinnacle of power, Mussolini boasted: "I have apologized for violence nearly all my life; I did so when I was at the head of Italian socialism, and at that time I made weak with fear the bellies, sometimes redundant, of my political associates with many warlike previsions; the bath of blood, the historic days!"<sup>2</sup>

The seizure of factories began at Dalmino, near Milan, in May, 1919, where the workers took possession of an engineering works, to the applause of the still-radical Mussolini.<sup>3</sup> Other factories were taken over in Milan, Lombardy, Piedmont, and elsewhere. The insurrectionists "kidnapped owners and managers and tried to force them to run the works exclusively for the workers; armed 'Red Guards' were organized, revolutionary tribunals set up and persons approaching the factories were shot at."<sup>4</sup> It was absolutely inevitable that, under such circumstances, the revolutionaries should prove unable to keep the factories running. Confiscation is certain to be fatal except as part of a revolutionary seizure of governmental power, and it was nothing short of stupidity for the Italian workers to adopt this half-way measure.

*The radicals failed to press forward and capture control of the government for the simple reason that they lacked power.* Italy is predominantly an agricultural country and the industrial working class is therefore in the minority. The Socialist vote reached its high peak in the elections of 1919, with 156 seats out of 535 in the Chamber of Deputies.<sup>5</sup> The army and police forces, in contrast to the revolutionary situation in Russia, were vigorously opposed to a workers' government, and the entire country was swarming with demobilized soldiers who were embittered by the "anti-patriotic" attitude of the Socialists. The owning class, unlike the ruling régime in pre-revolutionary Russia, still retained enormous power and was

prepared to use it ruthlessly, so alarmed were its members by threats of expropriation. Moreover, the middle class was much more strongly bulwarked than was the case in Russia, while the proportion of landowners among the peasants was incomparably greater. Furthermore, the influence of the Catholic Church over the masses of Italian people was immeasurable and strongly hostile to socialism and communism. Damning Italian Socialists is a favorite indoor sport among radicals of other countries, but the fact remains that they had no chance whatever to seize the reins of government. Only heretical Blanquists can maintain otherwise, for the evidence is incontrovertible that, even before the Communists split off, the Socialists constituted only a minority, and were confronted with hostile and armed forces overwhelmingly more powerful. The most serious blunder of the Socialists was their willingness to use violence at all.

It was under these circumstances that Mussolini, the former Socialist, now turned chauvinistic nationalist and opportunist, gathered a band of ex-soldiers and matched clubs and shots with radicals. Eloquent and utterly courageous, he attracted a wider and wider following composed of amazingly heterogeneous elements. "The industrial and commercial middle classes," writes Prezzolini, "and the landowners, during the reign of these Bolshevik tendencies, were only too obviously seized with panic. They saw themselves dethroned. . . . Thus it came about that in all the big towns where *Fasci di combattimento* had been formed by the ex-service men, the sons of the industrial and commercial classes, young men of the middle classes, students, clerks, professional men, flocked to swell their ranks. In the country districts the *Fasci* enrolled the sons of the landowners, administrators, farmers and farm laborers—that is to say, all those who recognized in Socialism the enemy of their rights and privileges."<sup>6</sup>

In August, 1922, the Fascists succeeded in breaking a crucial strike and thereafter their forces were augmented still more rapidly. At this moment Mussolini shrewdly championed the monarchy, thus securing the backing of the army and strengthening his position with conservative financiers and landowners. Mussolini now made plans for the seizure of power, but the October revolution proved to be bloodless because "Italy had capitulated even before the Fascist march on Rome." The King was terror-stricken and invited Mussolini to head the government. This revolutionary seizure of power was made possible by the winning of support from a large

majority of the population, and especially by cooperation of the army.

Eleven years have now passed since the formation of the first Fascist administration and Mussolini has gathered to himself absolute power over the entire life of the Italian people. All opposition has been ruthlessly crushed, by intimidation, doses of castor oil, beatings, imprisonment, exile, execution and assassination. Freedom of speech, press and assembly have been severely restricted. The Fascists have complete mastery over all areas of government, national and local. Even the mayors of local communities are appointed by Mussolini and are utterly subject to him. The Senate and Chamber of Deputies are façades without political significance, and even the personnel of these bodies is determined exclusively by the Fascist hierarchy, although the form of submitting nominations by the national corporations is observed, and citizens are permitted to vote yes or no on a list of 400 candidates presented with Fascist approval. This plebiscite is a theatrical performance and in no way restricts Mussolini's power.

The Duce has nothing but contempt for democracy and representative government. On countless occasions Mussolini has expressed himself in this fashion: "Fascism has no hesitation today in calling itself illiberal and anti-liberal. Fascism will not fall victim to this kind of vulgar play. Let it be known, therefore, once and for all, that Fascism knows no idols and worships no fetishes; it has already passed over and if necessary will turn once more and quietly pass over the more or less decayed corpse of the Goddess Liberty. . . . I believe that the parliamentary system, a fallacious and faltering political institution, is destined inevitably to perish. . . . Violence today has become the best condition of real health for a people. . . . For to the present esthetics of filthy lucre we oppose—and let it come, let come!—an esthetic of violence and blood. . . . We do not care a damn for this public opinion. Fortunately we are still an army. . . .<sup>7</sup> Violence is not immoral. Violence is sometimes moral. . . . Furthermore, violence is decisive, because at the end of July and August, in forty-eight hours of systematic violence, we obtained that which we had not obtained in forty-eight years of preaching and propaganda. . . . Therefore, our violence is resolute of a situation; it is conscientious, highly moral, sacrosanct, and necessary. . . . We must be able to mobilize five million men at a given time and be able to arm them; we must strengthen our navy, and our air forces, in which my belief grows ever stronger, must be



so numerous and so powerful that the roar of their motors will drown out any other sound in the peninsula and the covering of their wings obscure the sun above our land.”<sup>8</sup>

The individual must merge himself into the state and depend upon the government, that is the Fascist hierarchy, for security and justice. Class conflict and other divisive struggles within the nation constitute treason and are summarily suppressed. “For Fascism, society is the end, individuals the means, and its whole life consists in using individuals as instruments for its social ends,” writes Alfredo Rocco, Minister of Justice. “Our concept of liberty is that the individual must be allowed to develop his personality in behalf of the state. . . . Freedom therefore is due to the citizen and to classes on condition that they exercise it in the interest of society as a whole and within the limits set by social exigencies, liberty being, like any other individual right, a concession of the state.”<sup>9</sup> Another Fascist leader states the case this way: “Opponents accuse Fascism of crushing liberty; but the Fascists reply that if the freedom of the press is limited, and parties, other than the Fascist, are reduced to inactivity, the essential liberty of the people has been secured as never before—the freedom to work and to produce for the common good. . . .”<sup>10</sup>

Social justice is possible only when the superior wisdom, benevolence and impartiality of Fascists are allowed full scope. “Opposition is not necessary to the functioning of a sound political régime,” declares Mussolini. “Opposition is stupid; superfluous in a unanimous administration like the Fascist régime. . . . We are not old nags that have to be spurred. We control ourselves severely . . . in Italy there is no room for anti-fascisti; there is room only for FASCISTI. . . .”<sup>11</sup>

Furthermore, an iron discipline prevails within the party. Every recruit must take an oath which binds him “to obey without question the commands of the Duce . . . and when necessary to shed his blood for the Fascist revolution.”<sup>12</sup> Another vital factor was the inexperience of the masses with genuine democracy, universal suffrage having been introduced in Italy as late as 1913.

Drastic control over production and distribution is exercised through syndicates of employers and syndicates of workers. In every trade this dual organization is functioning under the absolute domination of the Fascist hierarchy. Only one labor organization in a trade is permitted and it is simply the instrument of control by the ruling party. Above the syndicates are the corporations, state

organs which group together all syndicates of employers and workers within a given branch of economic activity. Through these agencies collective labor contracts are formulated and made binding upon the entire nation. Strikes and lockouts are strictly forbidden and severely penalized. Working conditions, hours of labor, wage rates, and to a lesser degree prices and rates of profit come within the jurisdiction of the syndicates and corporations.

"Centuries ago," writes Rocco, "the state, as the specific organ of justice, abolished personal self-defense in individual controversies and substituted for it state justice. The time has now come when class self-defense also must be replaced by state justice. To facilitate this change Fascism has created its own syndicalism."<sup>13</sup> Odon Por expresses this idea as follows: "From the corporation will emerge not the capitalist and the proletarian, but the manager and employee of production. The class struggle has ceased and has been replaced by the State verdict."<sup>14</sup> Villari goes so far as to maintain that "in Italy class peace has been achieved."<sup>15</sup> Thus the individual worker is utterly helpless to resist the mandates of the governing class and must rely solely upon it for justice. All power to the state, to the party, to the Duce!

The likelihood that the working class will secure justice is enormously reduced by the continuation in Italy of the system of private property and private profit. The state does not own and operate industry and agriculture, with certain exceptions like the railways, but merely exercises extensive control over private business and farming. The end in view is not the creation of a society in which economic privilege will be shared equally by all the people. A vast chasm still separates the rich and the poor in the land of the Cæsars.

The idea that fascism is "but a form of state socialism" is vigorously rejected as erroneous by Fascist leaders, as for example by Luigi Villari: "In Fascist economics the state steps in only to correct the defects and deficiencies of private enterprise and intervenes when private enterprise has failed. But the capitalist principle is accepted . . . there is no limitation to the accumulation of private property, provided that it is brought about honestly . . . the Labor Charter, which inspires the whole body of legislation and practice in Italian labor and production, is based on four main motives: private enterprise, syndical activity, corporative activity, and state intervention."<sup>16</sup>

A summarizing definition of fascism is given by Scott Nearing as follows: "1. Fascism is a movement of the propertied and privileged, initiated by the middle class, and led first by members of the middle class and later by members of the ruling class, 2. who are retreating from the system of capitalist imperialism, rendered untenable by war, economic crisis and colonial revolt, 3. and who at the same time are defending themselves from the threat of proletarian revolution. 4. These elements are trying to barricade themselves behind strong national boundary lines; to exterminate the working-class revolutionary movement, and to provide themselves with the means of existence through a system of self-sufficient economy."<sup>17</sup>

In Italy today the totalitarian state has in considerable measure been achieved. Concentrated in the hands of the Fascist hierarchy, really in the palms of Mussolini, is incalculable and inconceivable power over the lives of the Italian people. Perhaps no more accurate description of the present Italian dictatorship could be written than was phrased by Mussolini himself, when still half-anarchist he wrote in the *Popolo d'Italia*, on April 6, 1920: "The State with its enormous bureaucracy induces a feeling of suffocation. . . . The State—this Moloch of fearsome aspect—does everything, controls everything, and sends everything to perdition. . . . The future prospects are terrifying. . . . Today you are obliged to declare the number of your children, but tomorrow you will be forced to declare the exact number of your amorous adventures. . . .<sup>\*</sup> If men had even a vague apprehension of the abyss which awaits them, the number of suicides would be increased. We are approaching the complete destruction of human personality. This State is the gigantic machine which swallows living men, and casts them forth again as dead ciphers. Human life has no longer any privacy or intimacy, either material or spiritual; all corners are explored, all movements timed, every man is pigeonholed on his particular 'shelf,' and numbered like a convict. The great curse which fell upon the human race in the misty beginnings of its history and has pursued it through the centuries has been to build up the State and 'to be perpetually crushed by the State!'" What words could be more appropriate to describe the doctrine and practice of all power to the state, all state-power to the party, and all party-power to the Duce!<sup>18</sup>

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<sup>\*</sup> On May 26, 1927, Mussolini, long since having repudiated his earlier anarchistic notions, declared in an address to the Chamber of Deputies: ". . . we have the tax on bachelors, to which in a not distant future might perhaps be added the tax on childless marriages. (Approbation.)"

## 2. *The Rise of Hitlerism*

The all-important fact to keep constantly in mind is that Hitlerism was produced by the Treaty of Versailles, and except as a consequence of crushing defeat in war its emergence is scarcely conceivable.<sup>20</sup> A proud and arrogant nation, with a glorious history and a marvelous record of achievement, was savagely crushed by the overwhelming forces arrayed against it. The German losses in blood and treasure were unimaginably severe, and were rendered even more intolerable by the Carthaginian-like Treaty of Versailles. The economic burdens imposed by the victors were increased in weight tenfold by emotional resentment and enmity. The disruptive consequences of the French invasion of the Ruhr, the catastrophic effects of the currency inflation which robbed German money of practically all value, the appalling prospect of continuing reparation payments through two generations, the terrific repercussions of the world-wide economic crash, the tragedy of six million unemployed, and the accumulating evidence that this ghastly nightmare must be endured for decades to come—all this was more than human muscles and nerves could endure. The miracle is that the lid did not blow off years before.

Deepening resentment against the successive administrations in office during these awful days was inevitable. In every country prolonged "hard times" are the signal for a change of executives and legislators. The German situation was enormously complicated by the fact that the Republic was born during the last hours of the most terrible war of history, was suckled on adversity, limped as a distorted dwarf through the years of its youth, and perished from foul blows without ever enjoying a moment of health or sanity.

*So long as the Allies' policy of keeping Germany impotent was maintained, no administration in the Reich could succeed.* Through the superior medium of hindsight, many commentators have discovered that the Social Democrats committed an inexcusable blunder in not seizing power in 1919 and proceeding at once with the task of creating a workers' dictatorship. This thesis overlooks or minimizes the stubborn fact that Socialists and Communists combined never commanded a majority of the German people. There was a moment when together they controlled approximately half of the votes in the Reichstag, *but their representatives were not elected on a platform of immediate violent seizure of power.*

The assertion is frequently made that the primary cause of Hitler's success may be found in the failure of the German workers to present a united front, and no doubt there is much truth in this statement. But the evidence is clear that the only kind of united action that would have been supported by the Communist Party was one that looked toward armed revolt for the purpose of establishing a proletarian dictatorship. German Communists were entirely dominated by Moscow and the Third International, and while the Russians were extremely reluctant to precipitate a crisis in Germany that would threaten the success of their own program at home, they were adamant against effective cooperation of a non-warlike character with the Social Democrats. This opposition is inherent in their basic philosophy and strategy, as has been pointed out in previous paragraphs.\* Communists look upon non-communist liberals and radicals as enemies of the working class, to be fought as ruthlessly as they fight capitalists.

"The point of departure of the German Communist party," writes Leon Trotsky, "was that there is nothing but a mere division of labor between the social democracy and fascism, that their interests are similar if not identical. Instead of helping to aggravate the discord between Communism's principal political adversary and its mortal foe—for which it would have been sufficient to proclaim the truth aloud instead of violating it—the Communist International convinced the reformists and the fascists that they were twins, it predicted their conciliation, embittered and repulsed the Social Democratic workers and consolidated their reformist leaders. . . . It displayed persistency and perseverance only in sabotaging the united front, from above as well as from below. . . . The fundamental principle of the Communist International was: *a united front with the reformist leaders cannot be permitted*. Then, at the most critical hour, the Central Committee of the German Communist party, without explanation or preparation, appealed to the leaders of the social democracy, proposing the united front as an ultimatum: today or never! . . . After the inevitable failure of an attempt at compromise, the Communist International ordered that the appeal be ignored and the very idea of a united front was once more proclaimed counter-revolutionary." <sup>21</sup>

Ever since the success of the Russian revolution and the formation of the Third International, Communists in all countries have

\* See page 201ff.

carried on an unrelenting warfare against Socialists, and so long as this policy is maintained it is absurd to expect unity among radicals. Moreover, let it be repeated, there is no basis for the belief that even a united front in Germany would have made possible the violent seizure of power. On the contrary, the evidence seems conclusive that the workers would have been ruthlessly suppressed by counter-revolutionaries and foreign invaders. In this connection, it is significant that Fritz Heckert, an important member of the Central Committee of the Communist Party of Germany, following the tragic collapse of the radical movement in that country, wrote: "It is therefore clear that with the then relation of class forces the German Communists could not raise the question of the seizure of power by the proletariat. We German Communists had not, as had the Russian Bolsheviks in October, 1917, an overwhelming majority of the toilers, but we had not even a majority of the proletariat, on our side. A substantial part of the peasantry and the urban petty-bourgeoisie have not yet overcome their illusions with regard to nationalism. The entire armed forces of the Reichswehr, the police, the Stahlhelm, the Storm Troops, were drawn up against the unarmed proletariat. The Russian Bolsheviks, however, had on their side, as is well known, not only armed workers, but also a substantial part of the army and enjoyed the benevolent neutrality of another part of the army. This position of the class forces determined the temporary defeat of the proletariat." <sup>22</sup> Exactly so! And at no time was there a chance for a successful proletarian seizure of power in Germany. After fifteen years of living hell, the German people were so utterly opposed to a proletarian dictatorship that the Communist party, in spite of its six million supporters, proved absolutely impotent at the moment when conditions were most favorable for the seizure of power.

And equally significant is the further fact that, even if the revolutionaries had temporarily established a workers' government, nationalizing land, socializing industry, and inaugurating a red terror against counter-revolutionaries, *France and her allies would have wrecked the revolutionary régime in an utterly savage manner.* To maintain otherwise is to forget that, with far less reason, Allied troops invaded the Soviet Union and attempted to overthrow the Leninists. No revolutionary government in Germany at that time could have observed the terms of the Treaty of Versailles and continued reparation payments, and there is not a scintilla of reason to

doubt that upon rejection of the treaty French troops would have occupied Berlin and utterly routed the revolutionaries.

Moreover, a radical government in Germany would have been confronted with the economic hostility of capitalist powers, with catastrophic effects upon the standard of living of German workers. It must not be forgotten that foreign loans have played an extremely important part in maintaining German industry in the post-war years. The shutting off of these loans and the crippling of Germany's foreign commerce would have produced unemployment and hunger on an appalling scale. The utterly different attitude of capitalist nations toward the revolution in Italy from that toward the revolution in Russia reveals clearly what their policy would have been toward a radical German government. The stake of foreign financiers and industrialists was far heavier in Germany than in Russia, and their efforts to overthrow a revolutionary régime in the former country would have been much more determined and ruthless than was their intervention in the land of the Bolsheviks. There is absolutely no reason, therefore, to believe that the German workers would have been able to resist counter-revolution at home, plus armed intervention from France, plus economic attacks from capitalist nations.

It is high time, therefore, for foreigners to cease reproaching German radicals for failing to seize power. Far more appropriate and realistic would be a relentless indictment of the peoples and governments of the Allied countries for imposing and maintaining the barbarous Treaty of Versailles. The labor movements, of Great Britain, France, and the United States cannot evade terrible responsibility for the disasters which have befallen their German comrades. The blindness and inactivity of the liberal and radical forces in the Allied countries impaled the German labor movement upon cruel horns and offered it no opportunity of escape from the dilemma.

To avoid utter ruin at the hands of France, German workers were compelled to submit to the Treaty of Versailles and to continue reparation payments; and in order to safeguard the infant Republic against the plots of monarchists, they felt obliged to collaborate with the parties of the center. There is every reason to believe that the Republic could not have been preserved without the vigorous support of the Social Democrats. It is easy to say at this distance and at this late hour that the German radicals paid too heavy a price for their support of the Weimar Constitution, but to millions of Germans the

restoration of the Hohenzollerns was an appalling prospect, to be prevented at almost any cost.

All this is not to say that the Social Democrats committed no blunders. *It is tragically true that they ceased to be a party of radical socialism and became satisfied with the crumbs of reform.* Much of their strength was derived from the trade unions, whose leaders were sobered by responsibility and made timid through concern for vested interests of their organizations. Like most other officials, the leaders of the Social Democrats vastly overrated the significance of being returned to office at the next election, and consequently tempered their radicalism to the point where their program did not differ fundamentally from those of the liberal parties. Their super-reliance upon parliamentary action, their failure to wage the struggle more vigorously on the economic front, and their policy of excessive compromise with capitalism cost them the allegiance of many hundreds of thousands of the younger and more virile workers, who in despair turned to communism.

We may recognize the blunders committed by the Social Democrats and still find it easy to appreciate the terrible predicament in which they found themselves. Their abhorrence of monarchy, their fear of invasion from France, and the inherent complexities and uncertainties of the situation confronting them, made any other course than one of caution and compromise difficult to follow. The harder they struggled to preserve the gains of Weimar, the more they became the scapegoat of Germany's miseries and the more bitter the denunciation heaped upon them by all enemies of the Versailles Treaty and of the Republic. No German administration could observe the provisions of the treaty and escape the passionate resentment of its victims, and no German administration could fail to acknowledge the validity of the treaty without running grave risk of being overturned by French arms.

The downfall of the Social Democrats was due in part to their own blunders, but far more it was caused by titanic forces beyond their control. *Granted the totality of the situation, there was small possibility of establishing an enduring workers' government, Socialist or Communist, and little likelihood that the radical parties could save themselves from being buried under the wreckage of the Republic, which was made almost inevitable by the blind and vindictive policy of the Allies.*

Hitlerism was nourished on misery and hatred, and waxed strong



on propaganda and terror. The reasons for the triumph of this German-speaking alien from another land are easily discernible. With surpassing eloquence on the platform, and with unrivalled genius as a propagandist, Hitler capitalized the sufferings and enmities of the German people. He won the support of youth, the middle class, a large section of the proletarians, and paradoxically the industrialists and financiers. He is now firmly in the saddle and is moving rapidly toward the totalitarian state. All opposition has been liquidated, in accordance with Italian and Russian precedents. Communist and Socialist leaders have been killed, imprisoned, exiled, or intimidated. The trade unions have been completely smashed, and their funds and properties confiscated.<sup>23</sup> All other political parties have been disbanded, and no opposition is permitted. Business organizations and trade associations have been brought under Nazi domination. Universities and libraries have been purged of non-Nazi professors and books. Jews have been massacred or cruelly persecuted, while pacifists have been murdered or imprisoned. Even organized religion has passed under the control of Hitlerites. The totalitarian state is now a reality in Germany, and is likely to be maintained for an indefinite period. The victorious Allies sowed Versailles and reaped Hitler.

### *3. The British Labor Party's Answer to Fascism*

Mussolini's long tenure in power and the ascendancy of Hitler have produced intense apprehension among radicals all over the earth. Is fascism destined to sweep away Socialist and Communist opposition? British Socialists have been engaged in vigorous discussion as to the future of parliamentarism, in view of the collapse of the Social Democrats of Germany. Should British labor abandon its historic faith in pacific revolution through political and economic means, and begin forthwith preparations for the violent seizure of power and the removal of the Fascist menace before it is too late?

The answer of an overwhelming proportion of British labor is clear and unequivocal, as may be seen from the following quotation taken from a manifesto issued on March 24, 1933, jointly by the British Labor Party, the Parliamentary Labor Party, and the Trade Union Congress: <sup>24</sup>

Political events at home and abroad impel the British Labor Movement to re-affirm its beliefs upon the fundamental principles of Government . . .

The reaction of the upper classes throughout Europe has strengthened the demand for Dictatorship of the Working-class. The fear of the Dictatorship of the Working-class in turn has evoked the iron Dictatorship of Capitalism and Nationalism . . . Democratic principles have been shattered by the machine-gun—the ballot has been destroyed by the bullet!

Today, as in the past, *British Labor must re-affirm its faith in Democracy and Socialism* . . . In thirty years, the British Labor Movement has gained political strength by its fight for democratic principles and its firm belief in the attainment of Socialism by peaceful means. Today, in a world that is being driven by capitalist ruthlessness into Dictatorship, British Labor stands firm for the democratic rights of the people.

It believes that a United Working-class Movement, founded and conducted on the broadest democratic principles, can establish a Socialist Society so soon as the workers are sufficiently advanced in political wisdom as to place their own Movement in the seat of Government, armed with all the powers of the Democratic State . . .

If the British Working-class, however, *hesitate now between majority and minority rule and toy with the idea of Dictatorship, Fascist or Communist, they will go down to servitude such as they have never suffered*. British Labor must rally the scattered forces of Socialist Democracy in all countries, and, here at home, by firm discipline and loyal adherence to its fundamental faith, show the world the peaceful path to Socialism.

Here in Britain, there are three ways by which the great masses of the workers can achieve power and keep it:

Workers everywhere should strengthen the Trade Unions—the bulwark against Capitalist tyranny in Industry.

Workers everywhere should strengthen the Cooperative Societies—the Movement created by the workers to counteract private profiteering.

Workers everywhere should strengthen the Labor Party—the spearhead of political power against Dictators, Fascist or Communist.

While the British Labor Party still retains its faith in pacific revolution, it has moved rapidly to the left since it was deserted by Ramsay MacDonald and the handful of laborites who followed him into the National Government. The Labor Party Conference of 1932 decided that the party will not take office again as a minority Government, but only on condition that it has a sufficient majority

in Parliament to enable it without delay to socialize the Bank of England and other big banks, and to proceed with the progressive socialization of the mines, railways, and basic industries. While all its leaders and members of the rank and file have by no means been completely converted, the trend is certainly leftward. The Socialist League, within the party, is composed of more radical members, and is conducting a vigorous campaign to insure that the party forsakes reformism in favor of a policy of revolutionary socialism by pacific means.

In an endeavor to make clear the major trend within the British labor movement, several recent utterances of outstanding leaders are now presented. "In our desire for still more rapid progress," writes Arthur Henderson, the most eminent and perhaps the most beloved of labor leaders, "let us take encouragement from the fact that conditions of life and employment have sensibly improved. We must move now at an accelerated pace towards a more complete socialization of economics interests. We can move faster; but do not let us underestimate the distance we have already travelled towards our goal . . . the Social Revolution is a continuous process set in motion by the organizations of democracy . . . And I believe that by the firm reaffirmation of our fidelity to the ideals and methods of democracy we shall not only help to bring about a rebirth of Freedom, but bring more speedily within our grasp the power that will achieve Socialism." <sup>25</sup>

The faith of George Lansbury, the veteran leader of the Parliamentary Labor Party, is thus expressed: "Democracy, with its power to vote, its faith in the common sense of the majority, is not out of date; it has not failed . . . When the Labour Movement was almost destroyed in October, 1931, we all declared that 'gradualism' was finished . . . Given power, a Socialist Government can stand up to landlords, financiers, and any other interests that stand in our way. But no half-and-half business will help us. No minority or coalition Government is any use at all. Only a Socialist majority determined to establish Socialism will serve us. So, comrades, give up all this nonsense about dictators, and this rubbishy talk of supermen . . . We must unite and together work for complete Socialism, and this we shall accomplish once the British people pack the House of Commons with a Socialist majority." <sup>26</sup>

"It should, indeed, be clear to every sensible person," writes G. D. H. Cole, "that it would be sheer madness for the Labour Party to

repudiate constitutional and parliamentary action, and give British Fascism just the chance it now lacks of becoming a formidable force. The conditions do not exist in Great Britain today for the growth of Fascism *à la Hitler* or *à la Mussolini*. We have no ruined middle classes on a scale sufficient to provide the necessary recruits; we have no economic suffering, save in a few areas, extreme enough to drive men to desperate ventures out of sheer despair; and, most important of all, we are not suffering under the psychology of defeat which has been at the back of both the German and the Italian movements. The British Labour Party, if it plays its hand with reasonable skill, has a real chance of winning before long a clear parliamentary majority, and of taking over the actual government of the country by constitutional means. It would be insane to throw this chance away by a propaganda of force, since it is absolutely certain that force is the very last thing most of the supporters of Labour want to find themselves compelled to use. British Labour is strongly pacifist in sentiment; and a great mass of support would be alienated if Socialists seemed to be trying to climb to power by other than constitutional

Sir Stafford Cripps, one of the more radical members of the Labor Party, writes: "Next time we must have not only political but economic power. We shall not have to dally about with Acts of Parliament which will take months. We shall start by devising emergency methods necessary to create the required consuming power . . . Within the first month of our victory we must have secured the control of the finances and the land of the country, so that we can get on with our national plan."<sup>28</sup>

Mr. John Middleton Murry expresses his convictions in this fashion: "Time presses: but not because Capitalism will collapse, but precisely because it will not collapse. It will seek, and will (unless it is prevented) indubitably find its own way out. And its way out may perfectly well be as attractive to a large section of the working-class as it will be to great masses of the middle-class. It can offer the working-class higher wages, better housing—all that the blessed phrase 'more money' implies; it can offer them more than most 'Socialists' dream of demanding . . . In so far as 'the menace of Fascism' applies to this country, this is what the menace really means: the servile state. It has nothing to do with Sir Oswald Mosley and his black shirts; it is altogether more insidious and

formidable . . . Do our romantic revolutionaries really believe that in the interval while we are working for a Parliamentary majority for the Socialist revolution the apparatus of British society will collapse? Have they not sufficient sense of British history to know that in England the ruling classes bend long before they break? . . . Our duty is to see to it that this potential revolutionary force of the middle-classes is not scared away from the Socialist solution. As long as that solution is presented in terms of minority dictatorship, of catastrophic interruption of economic continuity by violent revolution, so long are the middle-classes inevitably driven to the anti-Socialist camp.”<sup>29</sup> And elsewhere Mr. Murry writes: “. . . if one thing seems probable, it is that in this country Socialism will not be achieved by violence; the chances are that we shall achieve Socialism peacefully, or not at all.”<sup>30</sup>

The non-parliamentary radical movement in Great Britain is weak in numbers and influence, and is divided into the Communist Party and the Independent Labor Party. The former is a section of the Third International, and follows identically the same policies of Communist parties in other lands. In spite of the fact that the British workers have endured a decade of terrible unemployment and depression, the Communist Party has failed utterly to win their allegiance. “After eleven years its membership was 5,600, of whom only 3,000 were of even twelve months’ standing, and only 25 percent were reported active in the Party’s most important work.”<sup>31</sup> And it is not represented at all in the House of Commons.

Until its withdrawal from the British Labor Party in 1932, the Independent Labor Party constituted the left wing of the former party. The leaders of the I. L. P. became so dissatisfied with the policies of the parent body and so disturbed by the requirement that they abide by party decisions in Parliament, that the I. L. P. conference took the drastic action of severing all connections, and since that time the party has moved leftward to a position not far removed from that of the Communists.

The I. L. P. no longer believes that Parliament can be made the primary instrument by which capitalism is to be transformed into socialism, and now stresses the importance of creating Workers’ Councils which will eventually become the agencies through which power will be seized and maintained. The 1933 conference of the I. L. P. endorsed the following report:<sup>32</sup>

In the struggle for Socialism the working-class will find its main strength in its industrial and class organisations. Its power to defeat the capitalist class and overthrow Capitalism will depend finally on its capacity to develop effective industrial and class organisations for the successful conduct of the class-struggle outside Parliament (e.g., Workers' Councils).

The working-class must discard the belief that Socialism can be achieved simply by voting power exercised through Parliament and must recognize that Parliament is the instrument of government of the capitalist State. Parliament cannot be the main instrument for the destruction of that State of which it is the political expression. Parliamentary activity is essential, however, in the work of revolutionary parties in so far as it proves practicable to act through the existing constitutional forms whilst the instrument of working-class government is being developed . . .

A revolutionary party engaging in parliamentary activities as one of its methods must never lose sight of the fact that these activities are only ancillary to its principal object—the creation outside Parliament of a working-class organisation based on industrial power. This, in addition to being the chief instrument in overthrowing Capitalism, will be the embryo organisation for the economic and political administration of the subsequent Socialist Society, in which the controlling power will be exercised by those who do work of social value.

The similarity between the proposed Workers' Councils and the Soviets which Lenin utilized as the chief instrument of revolutionary action in Russia is apparent. Under the circumstances, therefore, it is not surprising that the I. L. P. has made determined efforts while maintaining its own identity and freedom of action, to form a united front with the Communist Party. The results to date have been extremely disappointing to I. L. P. leaders. The Communist International welcomed the suggestion that a united front be formed and proceeded to explain that the way to bring this about is for the I. L. P. to support Communist policies. Here is the exact language of the Comintern's response: "If the members of the Independent Labour Party are really developing in the direction of adopting our programme, then possibilities open up in Great Britain for the formation of a single, strong, mass Communist Party corresponding to the conditions of the country. . . . If the Independent Labour Party energetically assists the struggle of the Communist Interna-

tional this will be of great international significance. We request you to inform us whether your Party agrees to give precisely such support and assistance to the Communist International. Yours fraternally, etc.”<sup>33</sup>

Mr. H. N. Brailsford thus summarizes the present status of the radical movement in Great Britain: “Fascists in this country are as yet a negligible quantity, nor do they seem to be growing; in fact Hitler’s excesses have made them intensely unpopular. But the tactics of street demonstrations, which seem to mean street fighting, recommended by the Communists, might in time change the outlook. In the name of order the middle class would rally against Communist turbulence. It would see the use of Fascists and might in its turn foster them, though doubtless on lines somewhat different from the German and Italian patterns. Reasoning this way, the British Labor party was even less inclined, after the German event, to consider the ‘common front’ than it has been before. In one sense the question has no importance. The Labor party has over 600,000 individual members, and behind it are the three to four millions of the Labor unions: the Communists are a mere 5,000. Morally, however, the question is all-important. By refusing cooperation, the Labor party proclaims that it is content with a democratic advance. The destiny of the Independent Labor Party is now fairly clear. It cannot justify its separate existence. It has shed both its pacifism and its faith in democracy. Nothing separates it from the Communists save a doubt in the invariable wisdom of Muscovite leadership. . . . The I. L. P. in isolation has ceased to matter: it is no longer even a useful gadfly busy upon the slow bulk of the Labor party. . . . How, then, must one read the future of this (the British) Labor party? Its instinct, which bids it stick to democracy, is, I think, sound. . . . This British nation is incorrigibly traditional. . . . So far one may agree with the Social Democracy of the Labor party. It has in England a tradition, a historical memory, that Germany lacked. It does, moreover, ‘mean business’ since Mr. MacDonald left it, as the Germans never did. Its mind is set upon a rapid transition to a socialist society, and it is working out its plans for taking over the key industries with method and concentration. It must, if and when it gets a majority, make the attempt. . . . It has ceased in its conferences and its programs to elaborate reformist measures: its conscious will is to grasp economic power and ownership for the community.”<sup>34</sup>

#### *4. The Threat of Fascism in the United States*

Fascism is a product of economic collapse and intense suffering, accompanied by national frustration and bitterness. Its emergence is improbable except as a result of paralyzing defeat in war or terrible disappointment over the outcome of war. Three factors combined, as we have seen, to produce Hitlerism; appalling misery; venomous hatred toward France and deep resentment against any German Government that accepted the Treaty of Versailles and continued reparation payments; and despair of the future under the existing régime. The significance of the time factor can scarcely be stressed too heavily. Hitler did not succeed in the fifth year of Germany's bondage, or in the tenth. Even after a decade of degradation and agony, the German people would have rejected Hitler if the Allies had cancelled reparation payments, removed the sole guilt clause from the Treaty of Versailles, taken even moderate steps in the direction of disarmament, and revealed a disposition to restore Germany to a status of equality among the great powers. Year after year, the suffering masses of Germany endured and hoped, until they cracked under the strain in the fourteenth year, and turned to the most chauvinistic and reckless of the available alternatives.

These considerations are of the utmost significance to American Socialists. Fascism is a threatening possibility in this country, and is likely to become a ghastly reality if—if the United States suffers a disastrous defeat in war, or in case the present economic system collapses to such a degree that the misery of the population greatly exceeds that hitherto experienced.<sup>85</sup> In either of these eventualities, the ruling class is likely to resort to dictatorship under some type of fascism.

It is highly desirable that we refrain from using the word "fascism" loosely.\* Radicals should avoid a practice common among reactionaries of grouping indiscriminately under one heading groups with conflicting social philosophies—Communists, Socialists, Anarchists, Pacifists, etc. It is likewise grossly misleading to call the Roosevelt administration a Fascist regime, as is the habit in certain radical circles. We may not like the Roosevelt program and may even regard it as highly dangerous, but we multiply confusion by identifying it with the policy of Mussolini or Hitler. Language ceases to convey ideas when words are used as inaccurately as was

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\* See pages 220, 221.



done in a recent article in *Current History*: “. . . the essential element of fascism is its economic program, which seeks to insure for the middle class their old security through an adaptation of the fundamentals of capitalism, but under government control, to a new social and economic system that will benefit the nation as a whole rather than a few individuals.”<sup>36</sup> These words might well be used as a rough and ready description of the views of say Justice Brandeis, but it would never occur to anyone to call the staunchest liberal on the bench of the Supreme Court a Fascist.

The dangerous elements in Fascism against which Americans should be on their guard are: (1) The forcible seizure of governmental power by conservatives with the objective of safeguarding private property and other vested interests; or the securing of office by the same groups through the ballot, and subsequently overthrowing parliamentary institutions and governing as a dictatorship. (2) The repudiation of democracy, and the forcible suppression of all political opposition, including the disbanding of all other political parties, and the denial of freedom of speech, press and assembly. (3) The forcible suppression of labor organizations, and the promulgation of the doctrine that the existing regime, through the corporate state, will protect the interests of the workers. (4) The insistence, through the imposition of severe penalties, that all citizens subordinate themselves to the totalitarian state, with its complete domination of all areas of life.

When, with any accuracy, we speak of the menace of fascism, this is the type of social system we have in mind. The peril of the emergence of such a state in this country is real, but not imminent—unless America loses a great war, or unless the capitalist system utterly collapses.

Concerning the prospects of fascism in this country, V. F. Calverton writes: “. . . the present American Government is not Fascist; President Roosevelt is as far from becoming a Fascist despot as Kerensky was from becoming a Bolshevik leader; America at the present time reveals none of the Fascist spirit and harbors no hidden Fascist forces which may suddenly spring from cover and overwhelm us; and, still more important, this country is at the present time, with the solitary exception of Soviet Russia, further removed from fascism than any nation in the Western World. . . . The danger in describing the present American Government as Fascist, or even potentially Fascist, and President Roosevelt as a

future Fascist dictator, is that it will blind the American people to the actual appearance of fascism if, or when, it develops here. . . . The development of fascism in the United States is contingent upon the development of the same conditions as those which produced it in Italy and Germany. . . . *Fascism springs from precisely the same conditions that give birth to communism.*"<sup>37</sup>

It is obvious that the forces of radicalism in the United States are now too weak to prevent the downfall of the existing system, even if they had the desire, and far too impotent to seize power if capitalism crashes irretrievably within the period immediately ahead. The fate of American capitalism during the next decade is not in the keeping of Communists and Socialists. Radicals cannot quickly destroy the existing system, and at the moment they can do little to preserve it. Therefore, it would be the height of folly for Socialists in the United States to adopt a short-term strategy founded on the assumption that they will be called upon to assume control of the government within the next decade.

Since it is quite fantastic to believe that radicals in this country will be able to assume power within the immediate future, the sensible procedure for Socialists is to devote themselves resolutely to the double task of changing the public mind and of organizing on a triple front. Socialism will come just as rapidly, and not more so, as the minority of Socialists gains in numbers and influence until it wins at least the tacit support of a majority of the voters and workers. *Educate and organize, educate and organize*: this is the combination to which Socialists should give themselves untiringly.

And if the objection is raised that this process is too slow, the response is justified that no other procedure will carry us to the desired goal. Attention has already been called to the fact that if the Communist strategy succeeded at all in the United States, it would require at least 50 years before it could create a society in which all people would enjoy plenty and freedom.\* The Socialist method will secure results more quickly, and far more certainly, than that of the Communists. To organize the workers, consumers, and voters, and to achieve power by economic pressure and the ballots of electors: this task is enormously difficult, but it is far easier than to convert a majority of the American people to the doctrine of proletarian dictatorship, and to train them for the violent seizure of power.

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\* See page 226ff.

Once more it is imperative that emphasis be placed upon the incalculable significance of the middle class in this country. The course of events in Italy and in Germany reveals clearly the dynamic power of this class when aroused. *The quickest and most certain way to guarantee the emergence of a Fascist dictatorship in the United States is by creating a Communist Party that is strong enough to convince members of the middle class that they are about to be subjected to a reign of terror under a proletarian dictatorship.* Under conditions outlined above, not only will the Communist Party in this country be powerless to prevent a Fascist seizure of power, as it was completely paralyzed in Italy and in Germany, but the faster it gains in strength, the more likely are we to find the Fascist grip tightening about our throats.

If Socialism is to succeed in America, powerful sections of the middle class must join forces with a majority of the working class.\* It is imperative, therefore, that Socialists disavow with all possible emphasis any intention of seeking power through civil war. Appeals to violence will not lead to socialism, but to fascism.

If Socialists will look at their task in perspective, their faith in future progress will be strengthened. The economic tides are sweeping us on toward socialization, and it is not impossible that these currents may be channeled into socialism. In all industrial countries, laissez faire is dead, although many of its theories yet remain to be interred. One has only to remind himself of the evidence cited in the third chapter of this volume, to realize the immense distance we have traveled in a single generation. At the turn of this century it was impossible to foresee the rapid movement toward social control. To the elders of that generation, the NRA would have appeared as wildest Bolshevism, or whatever they would have called it. If the reader desires to have his imagination kindled, let him thumb back through the pages indicated in the footnote below.† *The change in public opinion that is required in order to make advanced socialism possible in this country is not as profound as that which has actually occurred within the past half century.*

Moreover, the incredibly rapid pace at which we are now moving toward consolidation of economic power will by its very velocity speed up the transformation of the public mind with regard to social ownership, as well as concerning social control. Necessity is a stern

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\* See page 222ff.

† See pages 31-64.

but highly successful teacher, and the present economic depression has produced a greater revolution in thought than would have appeared possible five years ago. Before a Senate committee which was holding hearings on the NIRA, the president of the National Retail Dry Goods Association exclaimed: "This is an amazing bill . . . as recently as 6 months ago the slightest suggestion of the provisions of this bill would have driven all business into hysterics. I think that the bill is no more amazing than has been the change of attitude on the part of business generally." <sup>38</sup>

Financiers of an earlier day would have regarded as demented an editor of a bankers' and brokers' journal who could praise a subversive act such as the NRA in the words of a recent editorial in *The Magazine of Wall Street*: "The project is fascinating and perhaps history making. In trying to take a short cut out of depression we may be solving the fundamental problem of all depressions. In planning the way out of this depression we may find the way to keep out of depressions in the future. An emergency expedient may lead to a new principle of business control on a national scale." <sup>39</sup> And in the same issue of this publication is printed an article containing these words: "As the life of a Nation goes, we have embraced this momentous experiment almost overnight. We may be pardoned a gasp of astonishment as we comprehend the vast scope of its possible social and economic consequences . . . nothing heretofore has been quite so breath-taking as this NIRA, veritably a dashing creature! In our social, political and economic philosophy nothing before has taken us so far to the Left. It is a peaceful revolution, a revolution of thought unquestionably backed by the popular will." <sup>40</sup> Fascinating! Breath-taking! Far to the Left! A peaceful revolution! And all this in a conservative financial journal!

But the objection is certain to be raised, the owning class will go just so far in making concessions, and then it will fight before ultimately yielding power itself. There is a disturbing degree of truth in this observation, and no alert Socialist will minimize the intensity of the resistance that will be put forth by vested interests before they are overthrown. On the other hand, there is a substantial basis of experience for the hope that the privileged class can be brought under social control and restraint by progressive stages.

Consider, for example, the transfer of natural resources and basic industries from private to public ownership. Certainly the owning class would take up armed weapons in resisting proletarian confisca-

tion of private property. But if a majority of the voters should issue a mandate to Congress to socialize the sources of electric power, remunerating present owners on a just basis, there is no reason whatever to anticipate forcible resistance to national legislation of this character. If Congress should enact legislation taking over the railways at a fair price, it is practically certain that the railway security holders would acquiesce, although they might howl to high heaven against the law as being an act of Bolshevism. The right of eminent domain has been exercised throughout our history, and rarely has it been resisted with arms. If a mighty wave of public opinion should lead to the socialization of the banks, there is little likelihood that the bankers would barricade the entrances of their premises with machine guns.

If a majority of the voters should demand that the income tax and the inheritance tax be used rigorously as means of limiting income and wealth, no armed opposition from rich men would be forthcoming. The actual record to date is impressive. In 1894 Congress passed a law levying a tax of 2 percent on all incomes above \$4,000. This law was passed by "wildmen" from the West, only five votes being cast in its favor in the House by representatives from New England, Pennsylvania, and New York combined!<sup>41</sup> By a five to four decision, the Supreme Court declared the law unconstitutional, and two decades passed before a Constitutional amendment was ratified and a new income tax law enacted. Remember that the 1894 tax rate was 2 percent, and that incomes under \$4,000 were exempt; then recall the maximum rates since that time. In 1918 the maximum normal tax was 12 percent, plus the maximum surtax of 65 percent, making a maximum total of 77 percent.<sup>42</sup> In 1921 the maximum total was 63 percent, and in 1932 the highest normal rate plus the highest surtax totaled 63 percent. In addition to the Federal income tax, many of the states impose a state income tax as well, the maximum rate in North Dakota being 15 percent.<sup>43</sup> A generation ago these rates would have been utterly unthinkable, yet they have been accepted without the firing of a shot. An editorial in the *Financial Chronicle*, protesting against a proposed law in 1924 setting the maximum income tax rate at 40 percent, said: "Clearly this is in opposition to our whole conception and system of government. *Yet no one appears to be unduly startled by the proposal.*"<sup>44</sup> That is just the point! *To raise the maximum rate to 99 percent on incomes above*

*\$20,000 would require a milder revolution in public opinion than has been actually achieved since 1894!*

In interpreting the significance of the NRA, Norman Thomas writes: "If anybody in the gilt and tinsel of Coolidge prosperity or the tragic days of Hoover adversity, or even as late as during the last presidential campaign had prophesied such a vast extension of governmental power over agriculture and industry as has actually occurred, he would have been hooted off the streets or told that such a revolution could not be achieved without violence. Yet today the Blue Eagle flies high and General Johnson with the aid of public opinion is introducing and trying to enforce a blanket code going far beyond the limits of the licensing power given to the President in the National Industrial Recovery Act. Secretary Wallace has more power over agriculture than any single official anywhere in the world. I do not think any single official has equivalent power even in Soviet Russia. What is more remarkable is that all this has been done without any serious opposition as yet, and apparently with the approval and cooperation of business men and old-time liberals and progressives who have not been together on anything since the war which supposedly was to make the world safe both for democracy and profits. That such a revolution—for revolution of a sort it is—has occurred, is a tribute to the capacity of the American people under effective leadership to act vigorously without too much regard for precedent on the basis of their hopes rather than their fears. Still more it is a tribute to the vigorous and astute leadership of the President and his administration. Most of all it is a proof of the tremendous gravity of the emergency which led the President to take action which there is nothing in his record or his speeches to show that he contemplated until the magnitude of the crisis forced it upon him." <sup>45</sup>

But many a reader is likely to harbor doubts about the feasibility of the Socialist strategy because the agencies of public opinion are for the most part under the control of vested interests which are opposed to radical social change. Yes, but that has always been so. The change in public policy with regard to the income tax has been brought about in spite of ruthless opposition every step of the way. One has only to glance at the contents of the third chapter of this volume to be reminded that practically every gain achieved by the workers has been accomplished in the face of relentless hostility from the owning class. Yet the advances are numerous and impressive. It is easy to over-estimate the power of the press. The capitalist class

can block progress for longer or shorter periods of time, but again and again it has been thrust aside by aroused and determined voters.

Interesting evidence is found in an editorial which appeared in the *Financial Chronicle* two years after the crash of 1929. The editor comments upon an article by Charles A. Beard,<sup>46</sup> in which the latter summarizes the trend toward social control and quotes the famous observation of Macaulay that it is the part of wisdom for the government to keep out of business, and then says: "Now, to our mind, the enormous increase in modern trade and industry, the complications ensuing in business . . . do not destroy the truth of this (Macaulay's) statement. . . . He (Beard) cites 15 instances to show that our 'rugged American individualism' is a myth. . . . The most of these innovations, speaking for ourselves, we have always opposed as excrescences on the body politic, as excrescences that are bureaucratic in form, and that lead to socialism, that leads to communism." <sup>47</sup> But the point which needs emphasis is that these 15 "excrescences" and many others have been adopted by the American people in spite of powerful, ruthless, and sustained opposition on the part of vested interests.

A concluding aspect of the American scene should be kept in mind, and that is the rapidity with which public opinion changes. Sentiment concerning prohibition offers an impressive illustration. After decades of relatively ineffective agitation, prohibition swept the country at an amazing speed, and after a decade of experience, the nation has gone wet at an equally rapid pace. Shifts in attitude toward economic questions are now occurring in the United States at a speed which is too dazzling to be comprehended. There is, therefore, every reason to be hopeful that American socialism may reach an advanced stage while many members of the present generation are still alive.

So the answer of American Socialists to the menace of fascism is this: *educate and organize*. Let us repudiate unequivocally the doctrine of violent seizure of power, for the following reasons: (1) It is highly improbable that sufficient support from the middle class could be enlisted to make possible a successful seizure of power by the proletarians. (2) Even if power should be seized temporarily, it could be maintained only by a ghastly civil war that would wreck utterly the productive and distributive system and lead to indescribable suffering and chaos. (3) A revolutionary movement which is directed toward the establishment of a proletarian dictator-

ship is almost certain to drive the middle class into the arms of fascism, with consequent enslavement of the workers. (4) Violent revolution is unnecessary in the United States.\* The Socialist strategy of transforming the public mind through agitation and education, and the assumption of power through the triple organization of workers, consumers, and voters, is far better adapted to the American scene, and far more likely to lead to an advanced stage of socialization and equalization. That a terrific struggle lies ahead is obvious, but the victory for socialism can be won! Superficial optimism concerning the inevitability of socialism, it is true, has often produced a softening of the spine, if not of the brain, and sometimes it has led to paralysis of effort. But even more devastating have been the effects of cynical abandonment of pacific methods of social revolution, and falling into an attitude of an even deadlier optimism concerning the efficacy of violent revolution. The Socialist movement of America sorely needs a rebirth of militancy, but a militancy that fights with the non-warlike weapons of socialism.

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\* The moral aspects of violent revolution are considered in Chapter X.



## Chapter VIII

### THE CONSTITUTION, THE SUPREME COURT AND REVOLUTIONARY CHANGE

MANY radicals are convinced that the rigid Constitution of the United States and the conservative Supreme Court make pacific revolution impossible. In such circles the opinion prevails that nine old men sitting on the Bench of the Supreme Court constitute a super-government with more power than that of Congress and the President combined. Through their ability to declare acts of Congress unconstitutional and invalid, these Justices can block legislation which would lead to revolutionary changes in the political and economic structure of this country.

"In the omnipotence of Parliament," wrote Professor Kales, "is involved the concurrence of the House of Lords. That body is made up principally of the representatives of property and business interests. One of its chief functions has been to see that the popular assembly did not overturn the fundamentals of the existing social order. . . . The Supreme Court of the United States, through its power to declare laws unconstitutional in obedience to the Fifth and Fourteenth Amendments, is our substitute for a second legislative chamber for the United States and the states."<sup>1</sup> The opinion of the Supreme Court of the United States in *Truax v. Corrigan* declared that "the Constitution was intended—its very purpose was—to prevent experimentation with the fundamental rights of the individual." It is for this reason that persons who are concerned with the preservation of the *status quo* are inclined to bow down in worship before the Constitution and the Supreme Court. And for exactly the opposite reason, individuals who desire to see radical social changes brought about are usually antagonistic to the sacred document and the august tribunal.

In these days when tremendous efforts are being put forth by patriotic societies and vested interests to inculcate reverence for the Constitution, it is not generally realized how widespread and terrific

has been the criticism of the Supreme Court during various periods of its history. A fact not stressed in text-books is that *the Constitution was adopted by an extremely narrow margin*, after a campaign of intense bitterness. Out of 73 delegates appointed to the Federal Convention, only 55 ever put in an appearance, and only 39 signed the finished document. Favorable action in the state conventions was secured by the narrowest of margins, as may be seen from the vote in the following states: Virginia, yeas 89, nays 79; New York, yeas 30, nays 27; Rhode Island, yeas 34, nays 32; Massachusetts, yeas 187, nays 168; New Hampshire, yeas 57, nays 46. In these five states there were 397 affirmative votes and 352 negative ballots. Thus we see that if 23 strategic votes had been shifted, the Federal Constitution would have failed of ratification, since the adherence of nine states was essential to its adoption. Just 23 votes out of 749 cast in these five conventions!

In the beginning the prestige of the Supreme Court was distressingly low. Chief Justice Jay resigned in order to run for Governor of New York, and when in 1800 he was tendered a re-appointment by President Adams, he declined because he was convinced that the Supreme Court "under a system so defective" would never "obtain the energy, weight, and dignity which were essential to its affording due support to the National Government, nor acquire the public confidence and respect which, as the last resort of justice of the nation, it should possess. Hence, I am induced to doubt both the propriety and the expedience of returning to the Bench, under the present system." In a recent interpretation of the Constitution, we read: "During the same interval there were also several resignations among the associate justices. So, what with its shifting personnel, the lack of business, and the brief annual terms, the Court secured only a feeble hold on the imagination of the country." *Of the first 13 Justices appointed to the Supreme Court, six resigned for one reason or another.*<sup>2</sup> Randolph expressed the opinion that the judiciary had become a "hospital for decayed politicians." Alexander Hamilton once described the Constitution as "a frail and worthless fabric."

Among the Presidents who have assailed the Supreme Court must be listed Thomas Jefferson, patron saint of all good and true Democrats. In a letter to Mrs. John Adams, Jefferson said: ". . . the opinion which gives to the Judges the right to decide what laws are constitutional, and what not, not only for themselves in their own

sphere of action, but for the Legislature and Executive also in their spheres, would make the Judiciary a despotic branch.”<sup>3</sup> To another correspondent, Jefferson wrote: “You seem . . . to consider the judges as the ultimate arbiters of all constitutional questions—a very dangerous doctrine indeed, and one which would place us under the despotism of an oligarchy. Our judges are as honest as other men, and not more so. They have, with others, the same passion for party, for power, and the privilege of their corps.”<sup>4</sup> Even stronger language was used by Jefferson on another occasion: “The Judiciary of the United States is a subtle corps of sappers and miners, constantly working underground to undermine the foundations of our confederate fabric.”<sup>5</sup>

Abraham Lincoln, in campaigning for the Senatorship, declared that if elected and given an opportunity he would vote to nullify a decision of the Supreme Court. Here are his words: “I have expressed heretofore, and I now repeat, my opposition to the Dred Scott decision. . . . I do not resist it. If I wanted to take Dred Scott from his master, I would be interfering with property. . . . But I am doing no such thing as that; all that I am doing is refusing to obey it as a political rule. If I were in Congress, and a vote should come up on a question whether slavery should be prohibited in a new Territory, in spite of the Dred Scott decision, I would vote that it should. . . . Somebody has to reverse that decision, since it is made, and we mean to reverse it, and we mean to do it peaceably.”<sup>6</sup>

Andrew Jackson not only assailed the Supreme Court, but also defied it. In spite of a decision of the Court, he insisted that the United States Bank was unconstitutional. When Congress passed a bill re-chartering the Bank, President Jackson vetoed the bill. “The opinion of the judges has no more authority over Congress than the opinion of Congress has over the judges, and on that point the President is independent of both,” he asserted. “The most important thing about this message,” writes Mr. Louis B. Boudin, “is not the fact that it was written by Andrew Jackson, one of the two patron saints of the present-day Democratic Party, which still looks upon Jefferson and Jackson as the two men who best embodied the aspirations of the people, but the fact that it expressed the views of all the leaders of Jacksonian Democracy, including the great legal and judicial lights. Among others, it expressed the view of Martin Van Buren, who was Jackson’s successor as President of the United

States, and could have been Marshall's successor as Chief Justice of the United States; and of Roger B. Taney, who actually became Marshall's successor as Chief Justice of the United States. It is a well-known fact that both of these distinguished legal luminaries approved of Jackson's opinions on the subject, and it seems to be fairly well established that Taney actually helped prepare Jackson's veto-message, and he probably penned the particular passages quoted above."<sup>7</sup>

In the Cherokee case in 1831, Georgia flatly refused to abide by the decision of the Supreme Court, and was supported in this position by the President of the United States. It was on this occasion that Andrew Jackson made his famous remark: "Chief Justice Marshall has made his decision; now let him come off the Bench and enforce it."

Georgia had previously defied the Supreme Court in the Chisholm case. In this famous decision, the Court ordered Georgia to pay a judgment to Mr. Chisholm. Whereupon the House of Representatives of the State of Georgia passed a bill providing that any Federal officer or other person who attempted to enforce this decision is to be declared "guilty of felony, and should suffer death, without benefit of clergy, by being hanged."<sup>8</sup> In response to the Chisholm decision, the Massachusetts legislature declared that the power assumed by the Supreme Court was "dangerous to the peace, safety, and independence of the several states and repugnant to the first principle of a Federal Government."<sup>9</sup>

"The very first case brought in the United States Supreme Court," writes Mr. Boudin, "was an action against the State of New York, but the State of New York defied the Supreme Court and refused to appear in answer to the Court's summons. But that action (*Oswald v. New York*) was one of a flock of similar actions, of which *Chisholm v. Georgia* was one."<sup>10</sup>

The Virginia Court of Appeals flouted the decision of the Supreme Court of the United States in the case known as *Martin v. Hunter's Lessees*. "When the mandate of the United States Supreme Court was brought before the Virginia Court of Appeals, that court flatly denied the authority of the United States Supreme Court to issue any mandate to it, and proceeded to declare unconstitutional Section 25 of the Judiciary Act of 1791, which gave the United States Supreme Court appellate jurisdiction over the state courts in certain cases."<sup>11</sup>

The officials of South Carolina in 1823 proceeded to enforce a statute which had been declared unconstitutional by Justice Johnson, of the Supreme Court, sitting at Circuit. In the argument before Justice Johnson, a member of the counsel for South Carolina warned that "if South Carolina was deprived of the right of regulating her colored population it required not the spirit of prophecy to foretell the result; and rather than submit to the destruction of the state, I would prefer the dissolution of the Union."<sup>12</sup>

In the *Piqua Branch Case*, "the Supreme Court of the State of Ohio refused to recognize the validity of the decision of the United States Supreme Court, taking the position that the famous twenty-fifth section of the Judiciary Act of 1789 was unconstitutional. . . . At about the same time the same position was taken by the Supreme Court of California, in a case known as *Johnson v. Gordon* . . . decided in 1854."<sup>13</sup> The Supreme Court of Wisconsin declared the Fugitive Slave law of 1850 unconstitutional, in direct defiance of the Supreme Court of the United States.<sup>14</sup>

The response of the Maine legislature to the Dred Scott decision was emphatic: "Resolved, that the extra-judicial opinion of the Supreme Court in the case of Dred Scott is not binding in law or conscience upon the government or citizens of the United States and that it is of an import so alarming and dangerous as to demand the instant and emphatic reprobation of the country. Resolved, that the Supreme Court of the United States should, by peaceful and constitutional measures, be so reconstituted as to relieve it from the domination of a sectional faction. . . ." <sup>15</sup>

The Supreme Court has been the object of criticism in platforms of both the Republican and Democratic parties. In 1860 the former condemned the Dred Scott decision as "a dangerous political heresy, at variance with the explicit provisions of that instrument itself, with contemporaneous exposition, and with legislative and judicial precedent; is revolutionary in its tendency and subversive of the peace and harmony of the country." Whereas in 1896 the Democratic platform, in referring to the decision which declared unconstitutional the income tax law, said: "We declare that it is the duty of Congress to use all the constitutional power which remains after that decision, or which may come from its reversal by the Court as it may hereafter be constituted, so that . . . etc."<sup>16</sup>

Almost endless labor would be required to assemble all the criticisms that have been hurled at the Court since it was founded.<sup>17</sup>

And this continuous assault becomes all the more significant when we remember that the popular theory of the Constitution is that it is a written, unchanging document, and that the function of the Court is to preserve its integrity against legislative and executive usurpations. Chief Justice Marshall, in his opinion in *Sturges v. Crowninshield*, declared: "The words of the constitution, then, are express and incapable of being misunderstood. They admit of no variety of construction . . ." Mr. Justice Brewer in *South Carolina v. United States*, declared: "The Constitution is a written instrument. As such its meaning does not alter. That which it meant when adopted it means now." Mr. Justice Harlan once asserted that "the meaning of the Constitution cannot depend upon accidental circumstances," and the assumption of the Court has always been that its business is to interpret the text of a changeless document.<sup>18</sup> Mr. Justice Hunt once defended his interpretation of certain sections of the Constitution by claiming that "no other meaning can possibly be given to them."<sup>19</sup> Mr. Justice Field on one occasion exclaimed: "That there should be any question or any doubt on the subject surpasses my comprehension." Mr. Justice Bradley once said: "It seems strange that it can be viewed in any other light."<sup>20</sup>

The meaning of the Constitution is supposed to be so clear and its authority so compelling that, according to a declaration of the American Bar Association, "The Constitution of the United States ought to be as actual a part of my life and my religion as the Sermon on the Mount."<sup>21</sup>

Chief Justice Taney, in the *Dred Scott Case*, declared that the Constitution "speaks . . . with the same meaning and intent with which it spoke when it came from the hands of its framers." Mr. Justice Lurton once reminded his readers that "we are walking in the footsteps of our fathers when we maintain in letter and spirit that division of the great functions of government which the men of Massachusetts and the men of Virginia and the men of Maryland declared with Montesquieu to be the best security for a government of laws and the only safeguard against a return to a government of men."<sup>22</sup> Mr. Elihu Root once declared, in speaking of the power of the judge: "It is not his function or within his power to enlarge or improve or change the law."<sup>23</sup> A government of law, rather than a government of men appeared far superior to the *North American Review* because "Justices in the Supreme Court of the United States have no temptations to do other than the right, and to hand

down in pride to posterity valid reasons for their interpretations of the law. They are not influenced by factional passions. They owe no allegiance to any political party, and are committed to no patronage." <sup>24</sup>

That this view should have become so widespread and so popular appears, on serious thought, wholly incredible. *If the meaning of the text is crystal clear and the Justices are wholly dispassionate, why have there been so many divided opinions?* Why do four Justices so frequently deny the validity of an interpretation which five Justices hold to be obvious and incontestable? You can have it one way or the other, but not both ways. Either the text is susceptible to contradictory interpretations, or the Justices are prompted by prejudice and passion. Moreover, a further question requires an answer: Why do disinterested Justices, in interpreting an unchanging Constitution, find it necessary or advisable to reverse previous decisions of equally disinterested Justices who interpreted the same changeless document?

Even a moment's sober reflection is sufficient to dispel the myth that, through the beneficent operation of the Supreme Court, we are living under a government of law, not of men. *The simple truth is that the law means what the opinions of judges make it mean.* And these opinions are derived only in minor part from the actual words of the Constitution. How could the situation be otherwise? The Constitution is a very short document, written 156 years ago, in the heat of partisan politics, by property-holders with a profound distrust of popular government, and whose knowledge and experience were inevitably limited by the simple society in which they dwelt. It is obvious that many of the vital questions which come before the Court were not only unknown to the Fathers, but could not have been conceived by them even in the most fantastic flights of imagination.

Thus we see that there is abundant justification for the observation of Mr. Justice Brown, in his opinion in the *Downes Case*, that "the Constitution itself does not answer the question. Its solution must be found in the nature of the government created by that instrument, in the opinions of its contemporaries, in the practical construction put upon it by Congress, and in the decisions of this court." If this participant-observer is correct, decisions are derived from highly complex and diverse sources, and not from the text of a document. Mr. Justice Holmes, in his famous dissenting

opinion in the *Lochner Case*, put it this way: "The decisions will depend on a judgment or intuition more subtle than any articulate premise. . . . In determining whether an act has a substantial and rational or reasonable relation to the enumerated matters, the court has in mind a background of 'fundamental principles' which are beyond the reach of any legislative power. What these are and how they affect the question of the substantial or reasonable relation of the act to the enumerated objects depends upon 'a judgment or intuition, more subtle than any articulate major premise.' They are indeed the inarticulate major premise itself."

Decisions frequently hinge upon the meaning given by five Justices to such words and phrases as "liberty," "property," "due process of law," "necessary and proper," "regulate commerce," "police power," "the spirit of the Constitution," "the intention of the founders." A unanimous opinion of the Court in *Green v. Frazier* declared: "What is meant by due process of law this court has had frequent occasion to consider, and has always declined to give a precise meaning, preferring to leave its scope to judicial decisions when cases from time to time arise." And concerning this concept the Court in *Twining v. New Jersey* said: "Few phrases of the law are so elusive of exact apprehension as this. . . ." No wonder, therefore, that Mr. Justice Holmes speaks of "the vague contours" of the Constitution.

"Thus the courts are year by year makers of the Constitution in the sense of the Constitution that actually controls," writes Professor Thomas Reed Powell, of Harvard University. "Constitutional law in the United States is continuous Constitution-making by judiciary. In conventional theory, constitutional law is the interpretation of the language of the Constitution, but in plain fact it is to a large extent a law created by the courts from considerations of statesmanship and with but little restraint or direction in the language of the written instrument. The written instrument is but a small part of the real effective Constitution. The actually controlling Constitution is in large part the constitutional law that the courts have made in the name of the written instrument."<sup>25</sup>

The situation is thus summarized by Mr. Louis B. Boudin: "In passing upon the constitutionality of a law our judges interpret the constitution in the light of their notions of what is wise, just, necessary, or expedient; and declare unconstitutional what they consider unwise, or unjust, or inexpedient,—being guided almost exclusively



by their philosophic, political, social, and economic beliefs, and little or not at all by constitutional texts.”<sup>26</sup> And no less an authority than Charles Evans Hughes, before his appointment as Chief Justice, declared that “we are under a Constitution, but the Constitution is what the judges say it is.”<sup>27</sup>

In many instances the Justices have required much time in order to reach a decision. In the case of *Ogden v. Saunders*, “the judges differed in opinion so widely that the case was held over for three years, and was decided only after a new argument of this case.” The famous *Bridge Case* stayed before the Supreme Court for six years. “While the case was pending in the Supreme Court, that Court underwent some changes in its personnel. When the case came finally to be heard in 1837, Taney was Chief Justice, and only Story and Thompson remained of the ‘old’ court; while of the judges who had originally heard the case, only four—Story, Thompson, McLean, and Baldwin—still remained on the Bench. The decision as finally rendered was a five-to-two decision; and it is interesting that the five judges who comprised the majority were all Jackson appointees, while the two judges who remained from the pre-Jackson period dissented.”<sup>28</sup>

In the circle of devout worshippers of the Constitution, it is customary to honor John Marshall as high priest of the faith. Among countless utterances that are available, the following words spoken by Mr. Edward J. Phelps in the first annual address of the newly created American Bar Association in 1879 are typical: “The assertion may perhaps be regarded as a strong one, but I believe it will bear the test of reflection, and certainly the reading of American history, that, practically speaking, we are indebted to Chief Justice Marshall for the American Constitution. . . . He was not the commentator upon American constitutional law; he was not the expounder of it. He was the author, the creator of it.”<sup>29</sup> In the light of the patriotic theory of the Constitution as a transparent and changeless document, this is an astounding statement. John Marshall’s name is not found among the delegates to the Constitutional Convention, and he played no direct part in the drafting of the Constitution. How, then, could he be “the author, the creator of it?” A candid response completely demolishes the theory of an unchanging instrument of law. And so Professor Morris R. Cohen is warranted in saying bluntly: “The idea of a government of laws without men—a sort of transcendental automaton that once wound

up will go on forever without any human intervention—is one of the vainest illusions that the eighteenth century's enthusiasm for mechanical maxims imposed upon the spirit of men.”<sup>80</sup>

The root of the difficulty is not to be found in the procedure of reaching judicial decisions in the light of the opinions and judgments of the Justices. Such a practice is absolutely unavoidable. One century cannot legislate in detail for another, and flexibility is essential in any instrument of government. The real problem is threefold in nature: First, the exaltation of the opinions of the legislators of 1787 above the desires of the legislators of 1933 is absolutely indefensible and intolerable. Second, likewise inexcusable is the policy of according more weight to the opinions of five Justices of the Supreme Court than to the combination of a Congressional majority, the President of the United States, and four other Justices of the same Supreme Court. Third, the prevailing practice becomes even more unbearable when we consider the type of individual who has hitherto been appointed to the Supreme Court, namely elderly corporation lawyers whose lives have been primarily devoted to the protection of property and other vested interests. There have been conspicuous exceptions to the rule, but the prevailing tendency of the Court has been conservative, and frequently the trend has been reactionary.

The truth of this observation may be verified by an examination of the record of the Court. In 1922 the United States Department of Labor published a monograph by Lindley D. Clark entitled *Labor Laws That Have Been Declared Unconstitutional*. This study covered 300 decisions of the Supreme Court of the United States and various superior tribunals of the states which declared labor laws unconstitutional. The list would be considerably lengthened if brought up to the present moment. Among the conservative decisions of the Supreme Court are the following:

*Oklahoma Ice Case*, 1932 (285 U. S. 262). The Court declared unconstitutional (with Brandeis and Stone dissenting; and Cardozo not participating) an Oklahoma law designed to regulate the ice industry.

*The Macintosh Case*, 1931 (283 U. S. 605). The Court (with Hughes, Holmes, Brandeis, and Stone dissenting) denied citizenship to Professor Macintosh because he insisted upon the right to reserve judgment as to whether or not he would take up arms in defense of the United States.

*United Railways v. West*, 1930 (280 U. S. 234). The Court held (with Brandeis, Holmes, and Stone dissenting) that the plaintiff was correct in its contention that a return of 6.26 percent was inadequate, and that anything less than 7.44 percent would be confiscatory.

*The Schwimmer Case*, 1929 (279 U. S. 644). The Court (with Holmes, Brandeis, and Sanford dissenting) denied citizenship to Madame Schwimmer because of her declaration that she would refuse to take up arms in defense of the United States.

*St. Louis and O'Fallon Railway Co. v. U. S.*, 1929 (279 U. S. 461). The Court held (with Brandeis, Holmes and Stone dissenting; Butler not participating) that the Interstate Commerce Commission, in fixing the valuation of railroads must give consideration to the cost of production, rather than to fix rates upon a consideration of original cost.

*Whitney v. California*, 1927 (274 U. S. 357). The Court upheld California's criminal syndicalist law.

*Tyson v. Banton*, 1927 (273 U. S. 418). The Court declared unconstitutional (with Holmes, Brandeis, Stone, and Sanford dissenting) a statute limiting profit on theater tickets by agencies.

*Schlesinger v. Wisconsin*, 1926 (270 U. S. 230). The Court declared unconstitutional (with Holmes, Brandeis and Stone dissenting) a Wisconsin law which sought to check possible evasion of its inheritance-tax statute.

*Gitlow v. People*, 1925 (268 U. S. 652). The Court upheld (with Holmes and Brandeis dissenting) New York's criminal anarchy law.

*Coronado Coal Co. v. United Mine Workers*, 1925 (268 U. S. 295). The Court held that a trade union might be sued for damages under the anti-trust laws, and might be declared guilty of a conspiracy in restraint of trade.

*Burns Baking Co. v. Bryan*, 1924 (264 U. S. 504). The Court declared unconstitutional (with Brandeis and Holmes dissenting) a bread standard-weight law, for the purpose of protecting buyers from short weights.

*Southwestern Bell Telephone Co. v. Public Service Commission of Missouri*, 1923 (262 U. S. 276). The Court held (with Brandeis and Holmes dissenting) that a rate base for a reasonable rate must take consideration of the cost of reproduction, and that a return of 5 1/3 percent was confiscatory.

*Adkins v. Children's Hospital*, 1923 (261 U. S. 525). The Court declared unconstitutional (with Taft, Sanford and Holmes dissenting; Brandeis not participating) the District of Columbia's minimum wage law for women.

*Bailey v. Drexel Furniture Company*, 1922 (259 U. S. 20). The Court declared unconstitutional (with Clarke dissenting) a Federal child labor law, which sought to use taxing power as a means of eliminating child labor.

*Truax v. Corrigan*, 1921 (257 U. S. 312). The Court declared unconstitutional (with Holmes, Pitney, Clarke and Brandeis dissenting) an Arizona law prohibiting the issuance of injunctions in labor disputes.

*Duplex Printing Press Co. v. Derring*, 1921 (254 U. S. 443). The Court denied (with Brandeis, Holmes, and Clarke dissenting) that the Clayton Act prevented the issuance of injunctions in labor disputes.

*Eisner v. Macomber*, 1920 (252 U. S. 189). The Court found (with Holmes, Day, Brandeis, and Clarke dissenting) that stock dividends were not income and therefore denied the right of the government to tax them.

*Hammer v. Dagenhart*, 1918 (247 U. S. 251). The Court declared unconstitutional (with Holmes, McKenna, Brandeis, and Clarke dissenting) the Federal Child Labor Law.

*Hitchman Coal Co. v. Mitchell*, 1917 (245 U. S. 229). The Court held (with Holmes, Brandeis and Clarke dissenting) that the existence of a yellow-dog contract could be used to prevent the unionization of coal miners.

*Gompers v. Buck Stove and Range Co.*, 1911, (211 U. S. 418). The Court declared that the officers of the American Federation of Labor could be held accountable for encouraging boycotts against non-union manufacturers.

*Adair v. United States*, 1908 (208 U. S. 161). The Court declared unconstitutional (with McKenna, and Holmes dissenting; Moody not participating) a statute prohibiting employers from coercing workmen into surrendering their right to belong to labor unions through threatening them with discharge unless they complied with this demand.

*Loewe v. Lawlor (Danbury Hatters' Case)*, 1908 (208 U. S. 274). The Court allowed a hat manufacturer \$250,000 damages for losses sustained through an interstate boycott of his goods by organized labor.

*Howard v. Illinois C. R. Co.*, 1908 (207 U. S. 463). The Court declared unconstitutional (with Moody, Harlan, McKenna, and Holmes dissenting) the Federal Employers' Liability Act on the ground that it did not limit its application to railroad men engaged in interstate commerce.

*Lochner v. New York*, 1905 (198 U. S. 45). The Court invalidated (with Harlan, White, Day and Holmes dissenting) a statute providing a ten-hour day for bakers.

That decisions of this character constitute a formidable barrier to radical social change is indisputable. Are we to conclude, therefore, that pacific revolution is impossible so long as the Supreme Court holds sway? Before we reach this pessimistic conclusion, several other aspects of the situation should be taken into account. First of all, the Court sometimes reverses its own previous decisions. Sometimes this reversal is acknowledged frankly, but more often the process is accomplished by indirection. Thus Chief Justice Taft, in his dissent in the *Adkins Case*, said: "It is impossible for me to reconcile the *Bunting Case* and the *Lochner Case*, and I have always supposed that the *Lochner Case* was thus overruled *sub silentio*."

Mr. Justice Brandeis, in his dissenting opinion in *Di Santo v. Pennsylvania* (273 U. S. 34, 42, 43), said: "In the search for truth through the slow process of inclusion and exclusion, involving trial and error, it behooves us to reject, as guides, the decisions upon such questions which prove to have been mistaken. . . . The many cases on the Commerce Clause in which this Court has overruled or explained away its earlier decisions show that the wisdom of this course has been heretofore recognized." A list of decisions overruled or qualified is then appended. In *Washington v. Dawson* (264 U. S. 219, 235-239), Mr. Justice Brandeis said: "The rule as announced must be deemed tentative. For the many and varying facts to which it will be applied cannot be foreseen. Modification implies growth. It is the life of the law. If the Court is of opinion that this act of Congress is in necessary conflict with its recent decisions, those cases should be frankly overruled. The reasons for doing so are persuasive . . . a doctrine declared by Mr. Justice Story with the concurrence of Chief Justice Marshall, and approved by Chancellor Kent, was abandoned when found to be erroneous although it had been acted on for twenty-six years." Another list of decisions overruled or qualified is presented.

Professor Sharp, of the University of Wisconsin Law School, in three issues of the *Harvard Law Review* has devoted more than 100 pages to a history of Supreme Court decisions which were subsequently overruled or modified.<sup>31</sup> An interesting illustration is found in *Bank of United States v. Deveaux*, where a unanimous opinion was overruled 35 years later by another unanimous opinion in *Louisville R. R. v. Letson*. In the latter case the Court confessed that the late Chief Justice Marshall had repeatedly expressed regret that the earlier decision had been made. In expressly overruling *Osborne v. Mobile*, a unanimous Court in *Leloup v. Port of Mobile* declared that "it is very certain that such an ordinance [as was involved in the former case] would now be regarded as repugnant to the power conferred upon Congress to regulate commerce among the several States." How strange that dispassionate jurists in interpreting an unchanging instrument should proclaim a doctrine later declared to be repugnant!

The *Income Tax Case* furnishes an excellent example of the absurdity of the contention that the Constitution is a rigid and changeless document and that it is the function of the Justices of the Supreme Court to set forth in a dispassionate manner the original meaning of the text. The outcome of the deliberations in this case is thus summarized by Mr. Boudin: "At the time of the first argument Mr. Justice Jackson was absent because of illness. The Court therefore consisted of eight members, and it divided evenly four to four on all of the questions, except that with respect to the income tax on rents from real estate. As the decision below was in favor of the income tax, this meant that the decision below must be *affirmed*, and the income tax declared valid in all of its features except as to income from rents of real property. The opponents thereupon moved for a re-argument before the full bench. It turned out that Mr. Justice Jackson was in favor of the constitutionality of the law. But in the meantime, Mr. Justice Shiras, who had voted to sustain the law when the first decision was made, had changed his mind, and now voted against the law—with the result that in its second decision the Supreme Court declared the entire law unconstitutional." <sup>32</sup>

In 1871 the Supreme Court reversed a decision of the previous year declaring unconstitutional three legal tender laws of 1862 and 1863. The method by which this reversal was secured possesses extraordinary significance at the present time, namely, the increase

by an act of Congress of the number of judges from seven to nine, and the appointment of Justices who favored reversal. The decision in *Hepburn v. Griswold* was four to three, the Court holding that Congress had no power to make paper money legal tender with regard to contracts entered into prior to the enactment of the law under consideration. In *Knox v. Lee*, this decision was reversed by a vote of five to four, the majority consisting of the three dissenters in the first case plus the two Justices appointed since that decision.

Another vivid illustration of the uncertainty of judicial decisions is afforded by the outcome of workmen's compensation litigation. In the *Ives Case*, workmen's compensation laws were declared unconstitutional by the *unanimous* vote of the New York Court of Appeals, one of the most eminent of American courts. But in the *Bunting Case*, the Supreme Court of the United States, also by a *unanimous* vote, upheld workmen's compensation laws as constitutional.

In declaring a minimum wage law unconstitutional in the *Adkins Case* by a five to three vote (Justice Brandeis not participating because he had previously appeared as counsel in minimum wage cases), it was necessary for the majority of the Supreme Court not only to ignore the opinions of the minority of three (really four), but also to overrule the overwhelming opinions of judges of the lower courts. Professor Thomas Reed Powell has tabulated evidence showing that of the 29 judges of the state courts of last resort who passed on minimum wage legislation, 27 considered the legislation constitutional, and only two considered it unconstitutional, and that three of the four state courts were unanimously in favor of the constitutionality of the legislation. When the total vote of all the judges—state, District of Columbia, and Supreme Court—is tabulated the result stands: 32 considered the law constitutional, and only nine held it unconstitutional.<sup>33</sup>

Another important factor should be kept in mind. If in the future the Supreme Court desires to uphold progressive and radical legislation, it has available a long line of liberal decisions upon which to draw for precedents, as well as countless utterances in dissenting opinions. A list of such decisions includes the following

*Appalachian Coal Case*, 1933 (288 U. S. 344). The Court upheld the right of coal producers to organize within their industry to eliminate the evils of crude competition through th

formation of an exclusive selling agency and the fixing of prices. This opinion may prove to be a precedent upon which to rely in upholding the NRA.

*Stephenson v. Bindford*, 1932 (287 U. S. 251). The Court upheld a Texas statute forbidding private carriers to use the highways without permits, the issuance of which by a commission depends upon the condition that the efficiency of existing common-carrier service shall not be impaired, and authorizing the commission to prescribe minimum rates for private carriers not less than those prescribed for common carriers for substantially the same service.

*Texas & N. O. R. Co. v. Ry. Clerks*, 1930 (281 U. S. 548). The Court upheld the right of railway employees to select their own representatives without interference or coercion in adjustment of disputes under the Railway Labor Act of 1926.

*National Prohibition Cases*, 1920 (253 U. S. 350). The Court upheld the validity of the adoption of the Eighteenth Amendment, abolishing the liquor traffic, and of the National Prohibition Act.

*Green v. Frasier*, 1920 (253 U. S. 233). The Court upheld a North Dakota statute creating an Industrial Commission and granting to it sweeping powers to engage in various businesses, including the right of eminent domain; to fix the buying price of things bought, and the selling price of things sold incidental to the utilities, industries, enterprises and business projects, and to fix rates and charges, and to procure the necessary funds by negotiating the bonds of the state.

*United States v. Doremus*, 1919 (249 U. S. 86). The Court upheld the Federal Narcotic Drug Act as being a legitimate use of the power to tax, and not an invasion of the police power of the states.

*Bunting v. Oregon*, 1917 (243 U. S. 246). The Court upheld a statute regulating the hours of service of both men and women in mills, factories, and other mechanical establishments.

*The New York Central R. Co. v. White*, 1917 (243 U. S. 188). The Court upheld a New York statute making compulsory upon employers the providing of workmen's compensation.

*Wilson v. New* (the Adamson Act case), 1917 (243 U. S. 332). The Court upheld the constitutionality of a law establishing the basic eight-hour day on railways, and "prescribing wages for railroad employees."



*Jeffrey v. Blagg*, 1915 (235 U. S. 571). The Court upheld an Ohio Workmen's Compensation Law.

*Riley v. Massachusetts*, 1914 (232 U. S. 671). The Court upheld a ten-hour day for women statute, requiring the posting of the legal hours of work and imposing a penalty for violation.

*McLean v. Arkansas*, 1909 (211 U. S. 539). The Court upheld a statute requiring that miners be paid on the basis of "unscreened" coal, thus reducing the likelihood of workers being cheated in "screening."

*Muller v. Oregon*, 1908 (208 U. S. 412). The Court upheld the constitutionality of the Oregon statute providing a ten-hour day for women.

*Ellis v. United States*, 1907 (206 U. S. 246). The Court upheld the Federal statute establishing an eight-hour day for contractors or sub-contractors on public works of the United States.

*McCray v. United States*, 1904 (195 U. S. 27). The Court upheld an act of Congress imposing a tax upon artificially colored oleomargarine.

*Atkin v. Kansas*, 1903 (191 U. S. 207). The Court upheld the validity of a Kansas act establishing the eight-hour day in public employment both for direct and for contract work.

*Champion v. Ames*, 1903 (188 U. S. 321). The Court upheld an act of Congress suppressing traffic in lottery tickets.

*Holden v. Hardy*, 1898 (269 U. S. 366). The Court upheld the Utah eight-hour law for miners.

In order to appreciate the potentiality of the Supreme Court, one has only to imagine the result if its personnel consisted of Justices Brandeis, Stone, Cardozo, Donald Richberg, Felix Frankfurter, Roscoe Pound, Walton H. Hamilton, Robert LaFollette, and Robert Wagner. If liberal judges could thus easily and utterly transform the Supreme Court, how much the more revolutionary would be the outcome if a majority of the Justices were Socialists. Radical judges would have no difficulty whatever in finding precedents upon which to base their decisions. For example, one of the oldest and most firmly established principles of the Court is that legislative acts will not be declared invalid except in cases where the evidence of unconstitutionality is proved beyond reasonable doubt. It is true that this principle has been honored more often with lip service than with loyalty to it in rendering decisions, but nevertheless it has been as

serted so frequently that it could readily be used by radical Justices with different concepts of what constitutes reasonable doubt. The potential significance of this principle is so vast that it may be well to emphasize the degree to which it has been accepted in the history of the Court.

Mr. Charles Warren tells us that this limitation was first set forth by Justice Iredell in 1798, when he stated that, as the authority to declare a statute void "is of a delicate and awful nature, the Court will never resort to that authority, but in a clear and urgent case." Chief Justice Marshall, in *Fletcher v. Peck*, in 1810 said: "The question, whether a law be void for its repugnance to the constitution, is, at all times, a question of much delicacy, which ought seldom, if ever, to be decided in the affirmative, in a doubtful case." And in discussing the delicacy of declaring legislation unconstitutional, Chief Justice Marshall, in the Dartmouth Case, pointed out: "On more than one occasion, this Court has expressed the cautious circumspection with which it approaches the consideration of such questions; and has declared, that, in no doubtful case, would it pronounce a legislative act to be contrary to the constitution."

Mr. Justice Washington, in *Ogden v. Saunders*, said: "It is but a decent respect due to the wisdom, the integrity and the patriotism of the Legislative body, by which any law is passed, to presume in favour of its validity, until its violation of the constitution is proved beyond all reasonable doubt." In the *Legal Tender Cases*, Mr. Justice Strong declared: "A decent respect for a co-ordinate branch of the government demands that the judiciary should presume, until the contrary is clearly shown, that there has been no transgression of power by Congress. . . . Such has always been the rule. . . . It is incumbent, therefore, upon those who affirm the unconstitutionality of any act of Congress to show clearly that it is in violation of the provisions of the Constitution. It is not sufficient for them that they succeed in raising a doubt. . . . That would appear, then, to be a most unreasonable construction of the Constitution which denies to the government created by it, the right to employ freely every means, not prohibited, necessary for its preservation, and for the fulfilment of its acknowledged duties. . . . And it is important to observe that Congress has often exercised, without question, powers that are not expressly given nor ancillary to any single enumerated power. Powers thus exercised are what are called

by Judge Story in his Commentaries on the Constitution, resulting powers, arising from the aggregate powers of the government."

It requires no imagination whatever to envisage the distance which Socialist Justices would be able to travel under the doctrine of resulting powers. Radical legislation could be upheld in strict consistency with the principle set forth in 1909 by Mr. Justice Day, in *El Paso & N. E. Ry. v. Gutierrez*: "It is hardly necessary to repeat what this court has often affirmed, that an act of Congress is not to be declared invalid except for reasons so clear and satisfactory as to leave no doubt of its unconstitutionality. Furthermore, it is the duty of the court, where it can do so without doing violence to the terms of an act, to construe it so as to maintain its constitutionality. . . ."

The doctrine of *police power* is sufficiently elastic to enable liberal or radical judges to validate legislation of a revolutionary character. In a study prepared for the United States Department of Labor, Lindley D. Clark discusses the police power of the state in these words: "What this power is, is not a matter of accurate definition inasmuch as it concerns the policy of individual States and is subject to growth and change with changing industrial and social conditions. The police power, in its broadest acceptance, means *the general power of a government to preserve and promote the public welfare by prohibiting all things hurtful to the comfort, safety, and welfare of society, and establishing such rules and regulations for the conduct of all persons and the use and management of all property as may be conducive to the public interest. It relates to the safety, health, morals, and general welfare of the public.*"

In a unanimous opinion handed down in 1885 in *Barbier v. Connolly* the Court discussed the Fourteenth Amendment in these words: "But neither the amendment—broad and comprehensive as it is—nor any other amendment, was designed to interfere with the power of the State, sometimes termed its police power, to prescribe regulations to promote the health, peace, morals, education, and good order of the people, and to legislate so as to increase the industries of the State, develop its resources, and add to its wealth and prosperity." It is difficult to envisage any necessary revolutionary statutes that could not be upheld by the language of this precedent.

In *C. B. & Q. Railway v. Drainage Commissioners* the Court said "We hold that the police power of a State embraces regulations de-

signed to promote the public convenience or the general prosperity, as well as regulations designed to promote the public health, the public morals or the public safety." In a subsequent opinion, in *Bacon v. Walker* the foregoing opinion was cited, with the observation: "In that case we rejected the view that the police power cannot be exercised for the general well-being of the community." If the Government has authority to legislate in behalf of "the public convenience or the general prosperity," and "the general well-being of the community," what broader charter would be required by radical jurists? If any further permission is needed, perhaps it may be found in the language used by the Court in *Halter v. Nebraska* where it is declared that the power of the State includes the right to "provide not only for the health, morals and safety of its people, but for the common good, as involved in the well-being, peace, happiness and prosperity of the people."

An extraordinarily wide interpretation was unanimously placed on the police power of the State in *Noble v. Haskell*, "It may be said in a general way that the police power extends to all the great public needs. . . . It may be put forth in aid of what is sanctioned by usage, or held by the prevailing morality or strong and preponderant opinion to be greatly and immediately necessary to the public welfare."

A significant opinion of the Court was delivered in 1926 by Mr. Justice Sutherland, one of the more conservative members of that body, in *Euclid v. Ambler Co.* In upholding an Ohio zoning law, the Court declared: "Regulations, the wisdom, necessity and validity of which, as applied to existing conditions, are so apparent that they are now uniformly sustained, a century ago, or even half a century ago, probably would have been rejected as arbitrary and oppressive . . . while the meaning of constitutional guaranties never varies, the scope of their application must expand or contract to meet the new and different conditions which are constantly coming within the field of their operation. In a changing world, it is impossible that it should be otherwise. . . . The ordinance under review, and all similar laws and regulations, must find their justification in some aspect of the police power, asserted for the public welfare. The line which in this field separates the legitimate from the illegitimate assumption of power is not capable of precise delimitation." And the learned Justice might have added that the line of delimita-

tion will be drawn in accordance with the economic and social views of a majority of the jurists.

In stressing the possibility of growth under the Constitution, Professor Walton H. Hamilton writes: "The document is of secondary importance; it is the instrument employed in the process. As a result the Supreme Court assumes a legislative function. It allows Congress to avert a nation wide strike by imposing a settlement upon railroads and their employees—and argues that the emergency furnishes a mere occasion for the exercise of powers which have lain dormant from the beginning. It permits a state to provide for the guaranty of bank deposits and to make employers liable for industrial accidents but not to regulate the weight of loaves of bread or to curb private employment agencies—and contends that the police power permits and due process denies what it sanctions or forbids."<sup>36</sup> "The exercise of powers which have lain dormant from the beginning"—what a charter for radical decisions in the future!

The concept of *public interest* is likewise sufficiently indefinite to warrant its use in support of revolutionary judicial conclusions. Again and again this doctrine has been utilized by conservative jurists to block progressive legislation, but the same concept will prove to be equally serviceable to radical jurists in upholding advanced statutes. Over against the reactionary interpretation in the *Oklahoma Ice Case*, may be set the substantially different opinion delivered more than a half century ago in *Munn v. Illinois* (94 U. S. 113, 126, 130). In a decision which upheld an Illinois statute regulating charges by grain elevators are to be found these words: ". . . when private property is 'affected with a public interest, it ceases to be *juris privati* only.' This was said by Lord Chief Justice Hale more than two hundred years ago. . . . Property does become clothed with a public interest when used in a manner to make it of public consequence, and affect the community at large . . . when private property is devoted to a public use, it is subject to public regulation." Fifteen years later the Court, in *Budd v. New York* (143 U. S. 517, 538, 543), said: "It is thus apparent that this Court has adhered to the decision in *Munn v. Illinois* and to the doctrines announced in the opinion of the court in that case. . . . We must regard the principle maintained in *Munn v. Illinois* as firmly established."

Concerning the possibility of making drastic social changes under the Constitution, Professor Felix Frankfurter, a member of the

inner circle that drafted much of the legislation of the New Deal and whose name is frequently mentioned as a probable appointee to the bench of the Supreme Court, writes: "Rich experience at the bar confirmed the teachings which Mr. Brandeis had received from James Bradley Thayer, the great master of constitutional law, that the Constitution had ample resources within itself to meet the changing needs of successive generations. . . . If the Court, aided by the bar had access to the facts and heeds them, the Constitution, as he had shown, is flexible enough to respond to the demands of modern society. . . . In essence, the Constitution is not a literary composition but a way of ordering society, adequate for imaginative statesmanship, if judges have imagination for statesmanship." <sup>37</sup> Elsewhere Professor Frankfurter has written: "By its very conception the Constitution has ample resources within itself to meet the changing needs of successive generations . . . what is interpreted depends on who interprets. . . . For the words of the Constitution which invoke the legal judgment are usually so unrestrained by their intrinsic meaning or by their history or by prior decisions that they leave the individual Justice free, if indeed they do not compel him, to gather meaning not from reading the Constitution but from reading life." <sup>38</sup>

"The rarity of changes in the letter has not prevented profound alterations in the spirit of the constitution," writes Professor Macmahon, of Columbia University. "The laconic and frequently cryptic language of the document itself has facilitated an unending process of interpretation, in which the legislature and the executive have taken the initiative in exploring the implications of every grant of power. . . . The capacity for accommodation in the constitutional system has seemed inexhaustible." <sup>39</sup>

There is ample justification, therefore, for the observation of Dean Wigmore that "a judge may decide almost any question any way, and still be supported by an array of cases." Judge Baldwin cites with approval the statement of an English judge that "nine-tenths of the cases which had ever gone to judgment in the highest court of England might have been decided the other way without any violence to the principles of the common law." <sup>41</sup> Supporting evidence is presented in a tabulation of Supreme Court decisions by Felix Frankfurter and James M. Landis. An analysis of the Appellate Docket for a period of five years reveals the startling fact that 47 per cent of the judgments of the lower court were re-

versed by the Supreme Court of the United States. The tabulation is as follows: <sup>42</sup>

<i>Year</i>	<i>Affirmed</i>	<i>Reversed</i>
1927.....	106	122
1928.....	78	74
1929.....	82	71
1930.....	131	108
1931.....	111	75
	508	450

The totality of the evidence is cumulatively overwhelming that judicial decisions are determined primarily by the economic, political, and social philosophy of majorities of the judges sitting in the respective cases. So long as the judges are conservative or reactionary, progressive legislation will be overthrown; but when judges are predominantly liberal and radical, revolutionary legislation will be validated. By the time the Socialist Party gains sufficient strength to elect a President of the United States and a majority of the members of Congress, the complexion of the Supreme Court will probably have been changed to such a degree that the highest tribunal of the land will not block the pathway of pacific revolution.

Moreover, the possibility that the Supreme Court may declare unconstitutional revolutionary legislation may be reduced by taking three steps: if necessary Congress may quickly increase the number of Justices in order that the new appointees may be able, with the support of liberal or radical Justices already sitting, to prevent the invalidation of crucial statutes; a ruling may be established that legislation may be declared unconstitutional only by a unanimous decision, or by a vote of 7 to 2, or 6 to 3; and, third, the Constitution may be amended in such a way as to authorize Congress to enact all social legislation that is imperatively demanded in order to safeguard and advance the public welfare.

That the first of these measures is within the power of Congress is unquestionable, and that this procedure would be followed by a Socialist administration, if necessary in an emergency, is equally certain. All that is required is a majority of votes in the Senate and in the House, and the consent of the President.

Bills to require more than a majority vote of the Supreme Court in order to invalidate acts of Congress have been introduced repeatedly, but legal authorities are divided in opinion as to whether or not Congress has this power.<sup>48</sup> Certainly the Justices could themselves establish such a ruling, and doubtless would be impelled to do so if the pressure of public opinion became sufficiently strong. A precedent exists in the change which was made requiring a majority of all the Justices, and not merely a majority of those sitting in given case, to give validity to an opinion of the Court.

A general enabling act, in the form of a constitutional amendment, authorizing Congress to pass laws that are urgently required in order to preserve and promote the public welfare, is highly desirable, and if secured would greatly reduce the likelihood that the Court would stand in the way of radical legislation.

The possibility that it may prove to be impossible to succeed with the second and third of these proposals is sufficiently great to make it advisable to emphasize the unquestioned fact that a Socialist President and a Socialist Congress can quickly render impotent the conservative Justices by swamping them with appointees who are favorable to the desired legislation.

Thus the evidence seems conclusive that while the Supreme Court may slow down the pace of revolutionary progress, it cannot defeat the will of a determined majority bent upon radical economic and social changes. Socialists, therefore, have no reason to despair of pacific revolution. Success awaits agitation, education, organization!



## Chapter IX

### POPULAR OBJECTIONS TO SOCIALISM EXAMINED

#### *1. The Deficit of the Post Office Department*

THIS chapter is devoted to an examination of four objections to socialism which are frequently encountered. The first one has to do with the argument that the practicability of socialism is disproved by the annual deficit and general inefficiency of the Post Office Department. It is a fact that the total deficit incurred during the past six years by the United States Post Office Department is just under 599 million dollars. During the single fiscal year which ended June 30, 1932, the deficit exceeded 205 millions. These figures are being widely interpreted as a damning indictment of government operation, and this evidence seems to uphold the general idea that the post office is riddled with inefficiency and entwined with red tape. But this explanation is merely another illustration of the gullibility of the public in swallowing propaganda against government enterprises.

During the same six years the gain on first-class mail was 408 millions. The loss on second-class mail during this period, however, was in excess of 550 millions, as compared with the total deficit of 599 millions. Why should there have been such a heavy loss in this department? The answer is filled with social significance. Second-class mail, let it be remembered, is made up chiefly of newspapers and periodicals. The political influence of the press is so enormous that the rates on second-class mail are absurdly low. In the annual report of the Postmaster General for the fiscal year ended June 30, 1932 (page 101) we are informed that whereas the actual cost of transporting second-class mail averages nearly 10 cents per pound (9.81), the revenue received is less than two cents (1.81). This means that the government loses eight cents

per pound on second-class mail, and that publishers pay less than one-fifth the cost of delivering their newspapers and magazines.

The loss on official mail, material franked by Congressmen, and other free mail was about 58 millions for the six years. Thus we observe that *the combined loss on second-class mail and free mail approximated 608 millions, or nine millions more than the total postal deficit for this period.*

RECENT FINANCIAL HISTORY OF THE POST OFFICE DEPARTMENT<sup>1</sup>

Year Ended June 30	Total Deficit	Gain on First-class*	Loss on Second-class	Loss on Third-class	Loss on Fourth-class	Loss on Free Mail**	Loss on Subsidized Mail***
1932.....	\$205,550,611	\$33,612,109	\$102,144,291	\$28,909,363	\$32,716,267	\$11,052,212	\$42,252,210
1931.....	146,066,190	58,289,028	96,674,618	23,388,895	20,031,600	11,968,333	36,078,976
1930.....	98,215,987	80,809,704	89,701,838	21,502,048	15,570,731	11,037,152	28,218,181
1929.....	85,461,176	78,633,418	94,001,198	18,806,911	19,778,707	9,931,240	18,225,364
1928.....	32,121,096	83,174,429	84,022,703	4,315,268	4,479,586	6,816,286	.....
1927.....	31,506,201	73,768,786	83,498,229	1,763,768	2,959,733	7,182,994	.....
	\$598,921,261	\$408,287,474	\$550,042,877	\$98,686,253	\$95,536,624	\$57,988,217	.....

\* Exclusive of Air Mail.

\*\* Including free mail for the blind, etc., and certain differentials in favor of religious and educational organizations.

\*\*\* Air Mail and excess cost of carrying ocean mail on American ships.

There are doubtless satisfactory reasons for putting official and certain other types on the free list, but the deficit thus produced should not be made use of as an argument against government operation. It is also probable that the arguments in favor of cheap rates on second-class mail outweigh those on the other side. As far back as 1878, Postmaster General Key said: "I think it may be taken as settled by Congress that regular, legitimate, printed periodicals issued at stated intervals from a known office of publication, shall pass through the mails at less than the cost of their transportation." Indeed, in 1851 Congress ordered that weekly newspapers be carried through the mail to subscribers within the county of publication without any postage charge, as Congressman Clyde Kelly reminds us in his study of *United States Postal Policy*. This free-in-county privilege still applies to all offices where there is no delivery system in operation. It is certainly legitimate to regard the post office as an important element in the educational system of the nation and to set the postal rates on periodicals at less than the cost of transportation, but surely it is grossly unfair to cite the consequent deficit as proof that government operation is inefficient and wasteful.

Moreover, a substantial portion of the deficit during the past three years has been due to the loss on subsidized mail. The loss

on air mail, plus the differential paid for transporting mail on American vessels—official support of the American merchant marine—amounted to 42 millions in 1932, 36 millions in 1931, and 28 millions in 1930. Thus we see that the combined loss on second-class mail, free mail, and subsidized mail was as follows: 1932, 155 millions; 1931, 145 millions; 1930, 129 millions—429 millions for the three years, as compared with the total postal deficit of 450 millions for this period.

Figures for the years earlier than 1927 are even more favorable to the postal service, as may be seen from this summary: <sup>2</sup>

<i>Year</i>	<i>Total Postal Deficit</i>
1926.....	\$19,972,379
1925.....	39,745,027
1924.....	14,463,976
1923.....	24,065,204
1922.....	60,815,400
1921.....	157,517,688
1920.....	17,270,483
1919.....	73,734,852 Gain
1918.....	64,126,774 Gain
1917.....	9,836,212 Gain
1916.....	5,829,236 Gain
1915.....	11,333,309
1914.....	4,376,463 Gain
1913.....	4,510,651 Gain
1912.....	1,785,523
1911.....	219,118 Gain
1910.....	5,881,482
1909.....	17,479,770
1908.....	16,910,279
1907.....	6,692,031
1906.....	10,542,942
1905.....	14,594,387
1904.....	8,812,769
1903.....	4,586,977
1902.....	2,961,170
1901.....	3,981,521
1900.....	5,410,358

The whole story has been summarized by Congressman Clyde Kelly in these words: "During the entire history of the service under the Constitution, from 1789 up to and including 1930, the entire excess of reported expenditures over receipts has amounted to \$731,000,000. For each of these 142 years there has been an average

expenditure for free and non-postal activities, such as subsidies, amounting to \$6,000,000, or a total of \$852,000,000." <sup>3</sup>

Thus the myth that the postal deficit is due to inefficiency is utterly exploded, and its repetition should be a source of embarrassment to an informed person. The literal truth is that the postal service is amazingly efficient. Tested by reliability, speed and economy it ranks high among national institutions. Let the reader recall his own experience with regard to the safety of letters and packages entrusted to the mail, and concerning the speed of delivery. To those who harbor doubts we commend a booklet of 69 pages prepared by the United States Bureau of Labor Statistics entitled *Technological Changes and Employment in the United States Postal Service*, obtainable from the Government Printing Office in Washington. Of the more than 26 billion pieces of mail handled annually, the percentage lost is infinitesimal; an astonishing performance in view of the fact that there are 48,159 post offices in this country, and 41,602 rural routes with a total mileage of 1,358,032. The total number of regular postal employees exceeds 250,000, while 60,000 others receive part-time employment.

From the lips of America's most eminent individualist come words of high praise for this vast collectivist enterprise. In an address on September 26, 1932, at the laying of the corner-stone of the new Post Office Department Building in Washington, President Hoover said: "Since those early days the Postal Service has been a factor second to no other in the upbuilding and development of modern America. It has constantly enlarged and broadened its facilities and has steadily grown in usefulness. Today it threads through the daily social and business life of all our people, and extends its benefits to every city, hamlet, and fireside in the land. It furnishes quick communication for business and industry, transports the products of the farm to the city dweller, brings the goods of the manufacturer and the merchant to the farmer's gate, delivers newspapers, magazines, and books into the remotest homes, provides a safe means for transmitting money and valuables, carries messages of gladness and sorrow between families and friends, and makes neighbors of our most widely separated communities. The Post Office establishment is not a machine; it is a living service to thousands of skillful and devoted men and women."

And let the fact be noted that it is operated without resort to the profit motive which capitalism regards as imperative. Salaries

and wages are paid, of course, but the entire postal system functions on a non-profit basis, with only a few highly-paid officials, and even these public servants receive only a fraction of the income they would receive for similar services from private corporations. No dollar expended by the citizen at large brings a more generous return than the dollar expended through the socialist post office.

## *2. Government Operation of Railways During the War*

The opinion is general throughout the country that government operation of the railways during the war was woefully inefficient, if not an actual failure, and that in the light of that experience it would be folly to venture further into the field of government ownership and operation of public utilities, to say nothing of the major industries.

Perhaps the testimony of no single individual is more significant in this connection than that of Mr. Walker D. Hines, who succeeded Mr. McAdoo as Director General of Railroads. Mr. Hines had long been an outstanding railway official. Repeatedly he has gone on record as being opposed to public ownership of the railways, and therefore cannot legitimately be regarded as a propagandist for public ownership. In reporting to President Wilson, Mr. Hines included the following summary:

These I regard as the results of Federal control: *It made practicable a war transportation service that could not have been otherwise obtained; its unification practices have increased the utilization of the inadequate supply of equipment so that an exceptionally large transportation service has been performed in the busy periods of 1919 with a minimum of congestion; it met the emergency of the unprecedented coal strike in a way which private control could not have done and absorbed a heavy financial loss on that account which would have proved highly disturbing to private control; it provided more additions and betterments and equipment than private control could have provided during the difficult financial period of 1918 and 1919; it dealt fairly with labor and gave it the benefit of improved and stabilized working conditions which were clearly right; it cost considerably less on account of economies growing out of unifications, and the total burden put upon the public (through rates and taxes) on account of railroad costs was substantially less than would have been necessary if the railroads had remained*

in private control and rates had been raised enough to preserve their credit; it protected the investments in railroad properties, whereas without Federal control those investments would have been endangered; and it turns the railroads back to private control functioning effectively, with a record of exceptional performance in an exceptionally difficult winter, despite the disruption caused by the coal strike, and in condition to function still more effectively with the normal improvement to be expected in the weather and in other conditions.<sup>4</sup>

In partial substantiation of the above conclusions, Mr. Hines presented the following table:<sup>5</sup>

	1916	1917	1918	1919 partly <sup>1</sup> estimated
Number of employees.....	1,647,097	1,723,734	1,820,660	1,891,607
Equated hours worked.....	5,189,790,716	5,406,878,384	5,641,820,405	5,126,142,664
Revenue ton-miles.....	362,444,397,129	392,547,347,886	403,070,816,694	363,240,000,000
Passenger miles.....	34,585,952,026	39,361,369,062	42,498,248,256	46,200,000,000

*Per cent of year 1926*

Equated hours worked.....	100	104.2	108.7	98.8
Revenue ton-miles.....	100	108.3	111.2	100.2
Passenger miles.....	100	113.8	122.9	133.6
Average hours per employee per month.....	263	261	258	226

In 1928, after all the evidence was in and sufficient time had elapsed to make possible a mature judgment, Mr. Hines, still opposed to government ownership of the railroads,<sup>6</sup> wrote a comprehensive history of our war-time experience. Emphasis is placed upon the fact that the railways were not taken over by the Government until such a step was rendered absolutely imperative by the inability of private control to provide the transportation demanded by the emergency of war with Germany. Private management was unable to bring about the unity of operation among the numerous competing units required in the interests of efficiency; it was unable to secure the capital funds needed for additional equipment and replacement; and it would have been unable, without the coordinating efforts of the Administration, to secure coal and other raw materials, or the man-power needed, so terrific were the demands from other directions. This aspect of the problem is so important that it is desirable to quote Mr. Hines at length:

. . . the railroads carried in 1917 the greatest freight and passenger traffic in their history. . . . But despite the creditable performance, it became obvious in the late fall of 1917 that

the railroads were falling seriously behind in meeting the pressing demands for transportation. . . . An inescapable fact was that the railroad companies, despite the best intentions, could not unify themselves in practice into the single "continental railway system" in the manner contemplated by the resolution adopted by their executives on April 11, 1917. . . . It was also impossible in such a short time to overcome the competitive and individualistic instinct which characterized the management of every company. While the companies did much, *they did not and could not do enough to effect a real unification of operations*. . . . The (Interstate Commerce) Commission in a report of its Car Supply Investigation, January 18, 1917 . . . declared that the car situation had no parallel in our history; in some territories mills had shut down, prices advanced, perishable articles had been destroyed, because of the inability of the railroads to get the cars they needed and which were being held on other lines, while in other territories there had been so many cars on the lines and in the terminals that service had been thrown into unprecedented confusion. . . .

Despite the large additional investments of capital in the railroads in the effort to keep their facilities abreast of the demands upon them, *they had not felt able to raise enough capital to equip themselves with adequate facilities* to handle the heavy volume of traffic offering in busy seasons, so that traffic congestion became at times exceedingly serious . . . But for the Government's taking control of the railroads at the beginning of 1918, many of those railroads, with liabilities exceeding current assets at the end of December, 1917, would have found themselves so situated that they could not meet their obligations . . . Federal Control averted numerous financial disasters among the railroads. . . .<sup>7</sup>

If the point is stressed that the financial plight of the railroads was due primarily to governmental regulations which prevented them from earning a net income sufficient to attract adequate capital, the rejoinder is appropriate that the past record of railway management was so scandalous that drastic governmental control had been demanded by an outraged public. Propagandists against government ownership have sought to excuse and justify the poor showing made by private management during the emergency, while overlooking or minimizing the stupendous obstacles in the way of successful governmental operation of the railroads during the war. Likewise, such

propagandists have emphasized the enormous increase in cost of operation under government operation, while failing to mention the fact that the cost of operating private industries increased by a similar proportion during the same period. Mr. Hines has pointed out in this connection that the costs of operation reported by the United States Steel Corporation increased more rapidly than did the cost of operating the railroads by the Government, and then says: "Undoubtedly the same condition would have been experienced if the railroads had been in private control. They would have had to pay the increased cost for materials and supplies."<sup>8</sup>

Much of the financial deficit of government operation was due to the substantial increase in wage payments, but this advance would have been unavoidable under private control. Here is the way Mr. Hines puts it:

The wage situation was critical at the beginning of Federal Control. The wages in general were unreasonably low, whether tested by the increased cost of living or by what was paid in other lines of industry. . . . The Lane Commission made its report on April 30, 1918. It reported that the popular impression that railroad employees were among the most highly paid workers was unfounded; that *51 per cent of all railroad employees during December, 1917, received \$75 per month or less.* . . . The intense competition for labor in view of the demands of other lines of industry and their willingness and ability to pay much higher wages than the railroads was one of the most disturbing conditions in the railroad world.<sup>9</sup>

The assertion is frequently made that under government operation the workers were grossly inefficient. After discussing the statistical evidence in detail, Mr. Hines writes:

Any studied consideration of this matter must lead to the conclusion that, despite the numerous reasons why the productivity of railroad employees might easily have been greatly impaired during Federal Control, *the general average of railroad efficiency in that period makes an extremely favorable comparison with pre-war efficiency and compares with post-war efficiency fully as well as does industrial war-time efficiency with post-war efficiency.* In other words, the difficulties were primarily due to the War both in railroads and in other forms of industries and not to the character of control, whether public or private. One additional fact needs to be stressed: the number of railroad



employees was not increased during Federal Control on account of political pressure to find places for individuals. The Railroad Administration was non-partisan.<sup>10</sup>

One of the charges most frequently brought against government operation is that the railroads were returned to their owners in a broken down condition because the Railway Administration had failed to provide adequately for maintenance and repairs. After discussing the evidence in detail, Mr. Hines writes :

In conclusion it may be said that the Railroad Administration on the average maintained the railroad properties during Federal Control up to a point which, despite shortage of essential materials, came very close to the maintenance required by the contracts with the railroad companies . . . the average annual maintenance physically applied during Federal Control exceeded the maintenance in 1917 under private control and approximated closely to the contract obligations without interfering with requirements of safety. *The notion of a "brokendown" condition of the railroad properties at the end of Federal Control never had any foundation* and has been clearly disproved by subsequent events and analyses . . . the actual capital expenditures for the entire period of Federal Control were \$1,200,000,000 or at the rate of \$550,000,000 per year. In the six years preceding Federal Control capital expenditures for the railroad companies averaged about \$460,000,000 per year, and in the six years 1921 to 1926, both inclusive, capital expenditures averaged \$590,000,000 per year.<sup>11</sup>

The argument against public ownership that is usually regarded as conclusive is the charge that a net deficit of more than a billion dollars was incurred during the period of government control. After pointing out that the net cost of Federal Control was \$1,123,500,000, Mr. Hines continues :

There is no basis for the assumption that through continuance of private operation of the railroads there would have been any escape from the so-called "cost" of government operation. The same or a substantially equivalent cost would still have been borne in one form or another. . . . The fact that the Government took possession and control of the railroads served to diver and confuse the public thought on the subject. The public saw the increases in railroad costs and the heavy charges on the pub

lic treasury. It therefore concluded that these things were due to the fact that the Government had had control of railroad and other transportation systems. *It should have concluded that these things were due to WAR and that these, or equivalent burdens, if not greater burdens, would have been borne by the railroad companies, their security holders and the public, if the railroad companies had continued to operate their properties.* No scheme could have been devised to relieve the public treasury of the cost to it of Federal Control without transferring that burden in some other form to the public or to railroad security holders or both. So far as earlier or greater rate increases might have lifted the burden from the Treasury, the cost would have fallen on the public in the form of rates and, under the peculiar conditions, probably with greater disturbance to business. . . . The burden was there. It was part of the War and paid in substantial part by taxation, which is not an unusual way of meeting war burdens.<sup>12</sup>

Socialists do not contend that our war-time experience with the railroads proves the desirability of government ownership, but they do maintain that the evidence available completely explodes the charge that the failure was so colossal that further experimentation with government operation should be avoided. Governmental operation was directed, for the most part, by railway officials who were vigorously opposed to government ownership and operation, and was carried out during the most difficult period in our entire history. The high degree of success achieved under these adverse conditions was an amazing accomplishment.

How, then, did it come about that the American people in general reached the conclusion that government operation of the railroads was such a dismal failure? Mr. Hines points out that there was surprisingly little criticism until after the Armistice.

But then there sprung up at once throughout the country the most pronounced reaction against government interference in business. . . . Federal Control became the most obvious symbol of government participation in non-governmental affairs. . . . It was also natural that the executives of the railroad corporations should feel a pronounced dislike for the conception of Federal Control. . . . In these circumstances the Railroad Administration was subject to the working of the principle that the exception is more potent than the rule; that extreme cases make more publicity and sentiment than the general average condi-

tion. . . . Things seemed to get to the point where no charge was too extreme to be believed. . . .

As that period has receded and as a better perspective is obtained, it has become apparent that *the general average performance of Federal Control, despite numerous extreme individual instances, was remarkably close to the general average performance prior to Federal Control* and that subsequent highly creditable performance of the railroads, showing marked improvement over Federal Control and also over pre-war private control, has not been peculiar to the railroad situation but has found its counterpart in industry generally.<sup>13</sup>

Thus the evidence is conclusive, as presented by the most authoritative individual available and one who does not believe in government ownership and operation, that wartime control of the railways by the Government was by no means a failure, as propagandists for vested interests have falsely maintained.

### 3. *Prejudice Against the Name*

The assertion is often made that it would be better to get a new name, since there is such widespread prejudice against "socialism." Many persons who adhere to the principles and strategy of socialism are convinced that the Socialist Party cannot be the instrument of social change in this country, and are therefore advocating the formation of a new party. Leaders of the Socialist Party are not wedded to the name and have repeatedly asserted their willingness to merge the present party into a new party under a different name, *provided* they can be shown that the new alignment offers real promise of becoming a more effective agency of genuine socialism. If a wider non-communist grouping could be formed, with an equally radical program and procedure, there is every reason to believe that the Socialist Party would submerge itself in a Workers' Party, a Farmer-Labor Party, or a party with a more appealing title.

But it is worth pointing out that the Socialist Party goes on while countless other political movements of a liberal or radical nature have arisen and quickly disappeared. The Socialist who is acquainted with such a volume as *Labor and Farmer Parties in the United States 1828-1928*, by Nathan Fine, realizes that the present endeavor to form a new radical party has been preceded by almost innumerable earlier efforts which proved futile. The Socialist Party did not put

forward a separate candidate in 1928 but cooperated with the Conference for Progressive Political Action in supporting Robert M. LaFollette. While the Wisconsin Senator polled nearly five million votes, the united movement which sponsored his candidacy disintegrated after election day and soon collapsed utterly.

Socialist leaders maintain that the real trouble is not with the name, but with the reluctance of American voters to support a party which has no chance of winning the next election. Rather than settling down to the long, difficult task of forging a political instrument that will be able to carry through an adequate program 20 or 30 years hence, American liberals prefer to choose the lesser evil on election day. So long as this practice is widespread, no third party will be able to capture power, irrespective of its name.

The possibility of forming an effective new party has been enormously reduced by the leftward swing of the Democratic Party. Liberals who are afraid of the Socialist Party will not, in large numbers, flock to the banners of a new party, but will give their votes to the New Deal under President Roosevelt.

It is worth pointing out, moreover, that if a new radical party were formed its name would soon be in bad repute. It would soon be tarred with the same brush that makes the Socialist Party unattractive to many citizens. While the analogy is limited, we should not forget that while Technocracy was extremely popular for a passing moment, it was quickly damned by the conservative press.

If the moment arrives when convincing evidence is available that a new radical party can be made more effective than the present Socialist Party, the leaders of the latter will welcome and support it. But, in the meantime, they feel warranted in suggesting that all real Socialists should join the party and strengthen it from within.

#### 4. *"Socialism is too Materialistic and Anti-Religious"*

Many Americans who are socialistically inclined shrink from joining the Socialist Party because of their impression that it is materialistic and hostile to religion. Clergymen, like myself, who are members of the Socialist Party are certain that there is no basis whatever for this erroneous idea which is so widespread. It is true that among party members will be found some who are "materialistic" in the sense that they are primarily motivated by the desire for private material gain, but it is wholly probable that the proportion of such

individuals is very much smaller than the proportion of materialists among church members, or even among the officials of the churches. Certainly there are agnostics and atheists in the Socialist Party, as there are in all other political groupings, but there are also numerous ministers, rabbis, and other believers in religion. Belief in God is a serious obstacle, if not an absolute barrier, to leadership in the Communist Party, but this does not apply to the Socialist Party. If the proportion of agnostics and atheists in the latter party appears excessive, the explanation will be found in the fact that religious people in America have for the most part preferred to support the parties of capitalism.

"Perhaps the most unjustified of all misinterpretations to which Marx's doctrine of historical materialism has been subjected," writes Sidney Hook, "is its reduction to a theory of personal motives. According to this conception Marx believed that all human beings are activated by a desire to further their own personal self-interest, and that this self-interest is inevitably expressed in a desire for economic gain. The materialistic interpretation then means that all behavior is guided by material consideration, that every act has a cash value and every man has his price. Ideal motives—esthetic, religious, moral—are just rationalizations of economic drives. The amazing thing about this interpretation is that it cannot support itself by a single text from any chapter of Marx or from the open book of his own life."<sup>14</sup>

What, then, is the meaning of economic determinism, or the materialistic and deterministic interpretation of history? Let Marx answer in his own words: "In the social production which men carry on they enter into definite relations that are indispensable and independent of their will; these relations of production correspond to a definite stage of development of their material powers of production. The sum total of these relations of production constitutes the economic structure of society, the real foundation on which rise the legal and political superstructures and to which correspond definite forms of social consciousness. *The mode of production in material life determines the general character of the social, political and spiritual processes of life.*"<sup>15</sup>

Marx's personal devotion to a great cause in the face of poverty and persecution constitutes a complete refutation of the popular misconception of economic determinism. "There is certainly no more remarkable instance of great sacrifice for intellectual discovery,"

writes Harold J. Laski, "than that of which Marx's life is a record . . . the last twelve years of his life were an incessant fight against pain and disease. . . . At bottom, the main passion by which he was moved was the passion for justice. He may have hated too strongly, he was jealous, and he was proud. But the mainspring of his life was the desire to take from the shoulders of the people the burden by which it was oppressed."<sup>16</sup>

Marx did not teach that economic factors are the sole causes of human conduct and social institutions. This view was expressly repudiated by Engels, most intimate friend and collaborator of Marx. "Marx and I," he wrote after the death of his friend, "are partly responsible for the fact that the younger men have sometimes laid more stress on the economic side than it deserves. In meeting the attacks of our opponents it was necessary for us to emphasize the dominant principle, denied by them; and we did not always have the time, place, or opportunity to let the other factors concerned in the mutual action and reaction get their deserts. . . . When any one distorts our statement so as to read that the economic factor is the sole element, he converts the statement into a meaningless abstract and absurd phrase."<sup>17</sup>

The question as to whether religious people should support the Socialist Party is so important that I am devoting the concluding chapter of this volume to a consideration of it.

## Chapter X

### RELIGION AND SOCIALISM

**A**LL HIGH religion is social not individual in essence. The Kingdom of God is the central concept of Jesus' religion, and the Kingdom of God is a social idea and ideal. When the Master taught his disciples to pray, "Thy Kingdom come, Thy will be done on earth," he was envisaging the dawn of an ideal society. The individual is a child of God and of priceless worth, but he cannot achieve his divine potentiality except in a fellowship of brethren.

Every thoughtful religious person is troubled by the unbridged chasm between the ideal and the reality. Millions of Christians in practically all lands have been praying for nineteen centuries that the Kingdom of God might be realized here on earth. Yet in every direction we are still confronted with cruelty and strife and misery. There are many explanations of this tragic lag behind the ideal, but perhaps the most revealing one was disclosed by the observation of Jesus: "If, therefore, your very light is darkness, how deep the darkness will be."

The appalling fact is that religious people have frequently lacked the ability to distinguish between goodness and evil, between that which is ennobling and that which is debasing. They have looked upon that which is destructive and have called it redemptive; they have mistaken the true for the false. Intellectual confusion and moral obtuseness have caused numberless religious people to engage conscientiously in almost every conceivable form of iniquity, and to revile and persecute almost every variety of righteousness. If that which is called light is really darkness, how deep the darkness will be!

The significance of this observation in relation to the present economic and political situation will be more vividly appreciated if the contemporary scene is viewed from the perspective of history. Our own actions may be evaluated more accurately if we clearly understand the conduct of our predecessors. Thus it is advisable to remind

ourselves that religion has often been used to bulwark and perpetuate iniquity. After the conversion of Constantine, the halo of Christianity was thrown about the exploitation and rapine of the Roman conquerors. With the rise of feudalism, the blessing and support of religious leaders and institutions were bestowed upon the system which placed serfs at the mercy of manorial lords. Political tyranny of the most despotic type rested for centuries upon the doctrine of the divine right of kings. Down to seven decades ago, chattel slavery with its hideous abominations was defended in the name of religion. To the present moment, nationalism is so blinding to countless religious patriots that they continue to sanction the bloody business of war and would again engage in it at the commend of the state. Racism remained strongly entrenched in the churches and God's children are arbitrarily classified according to color and subjected to all manner of indignity and cruelty.

The thesis which has been supported throughout this volume is that the present economic order is intolerable on economic, political, and moral grounds, and it is my purpose now to summarize the reasons why capitalism or individualism, or any other designation of the existing system, is irreconcilable with the religion of Jesus and that of the prophets of Israel. It is my contention that the present generation of religious leaders, with conspicuous exceptions, have been afflicted with the same ethical obtuseness which caused our forefathers to sanction slavery, serfdom and tyranny. Down to the financial crash of 1929—and well beyond—capitalism was being accepted and extolled by an overwhelming proportion of religious people in this country, alike among the clergy and the laity. Perhaps about the same proportion as the supporters of slavery numbered in the Southern States in 1860!

The four aspects of the present economic order which in combination make capitalism incompatible with high religion are these: private ownership of natural resources and other essential industries, and their operation for private gain; the assumption that the individual is justified in seeking unlimited wealth and privilege, even though multitudes of his fellows exist in poverty; the exaltation of the competitive struggle, with its doctrine of the survival of the fit; the dual practice of utilizing the government as a means of securing special privileges, and at the same time insisting that the state keep hands off the competitive struggle with its resultant exploitation. The appalling



economic consequences of this combination have been set forth in voluminous detail in the earlier pages of this volume.

To complete the picture, emphasis should now be placed upon the tragic moral consequences of the competitive struggle for private gain. Greed is one of the most devastating of all sins and called forth the withering condemnation of Jesus and the prophets. Greed is a cancerous sore that eats away the high values of life, with especially deadly effects upon moral vision. Yet it would be difficult to devise an economic system that would more highly stimulate the greedy desire for personal gain than is being done by capitalism. Not only has the doctrine long been proclaimed that self-interest is and must continue to be the driving incentive in commerce and industry, but the assumption is general that even religious men in business must be prompted primarily by self-interest. Devout churchmen are constantly assuring us that primary reliance upon any other motivation than self-interest will destroy initiative and reduce efficiency.

This long-continued emphasis upon the necessity of self-interest as the chief incentive in the production and distribution of goods has enormously widened the circle of religious people who take it for granted that a man is entitled to all the income and wealth and privilege that he can secure by "honest" means. Even among churchmen greed is generously rewarded, and the man with the greatest wealth is likely to be accorded the highest prestige. That a family is entitled to the enjoyment of as much luxury as it can afford is a widely prevalent idea, and jealousy is encountered far more often than condemnation of the accepted practice. Year after year congregations elect to high official positions in the churches rich men who live in ostentatious luxury. While it is customary to phrase the utterance more delicately, the truth is that the successfully greedy constitute an abnormally high percentage of officials in numerous churches.

Greed breeds hypocrisy, and hypocrisy ranks high among deadly sins. Rarely ever is a normal human being willing to acknowledge to himself that he is really greedy. He convinces himself that he is chiefly concerned about the comfort and future security of his family; he does not want them to endure the hardships to which he has been exposed. He must live in the section of the city and on the scale demanded by his responsibility and influence in the community. His time is so valuable that he must be surrounded by servants, and his expenditures for luxuries are trifling in comparison with the service

he renders to his fellows. Philanthropy has tended to accentuate hypocrisy. If a rich churchman gives a tenth of his income "to the Lord" he is applauded for his generosity, and finds it easy to conclude that he is really doing more than his share. Emphasis upon sums donated rather than upon the amount of income and wealth retained makes self-deception almost inevitable. All too frequently churchmen are afflicted with the cancerous growth of greed without being aware of the nature of the malady which is destroying their ethical sensitiveness and moral power.

The terrible consequences of greed and hypocrisy are not confined to successful victims. Rich men become the models of success and are held up before youth as examples to be followed. Thus a double standard of morals is erected and maintained. It is expected that men in certain areas of life will be selfish, while it is assumed that other men will be prompted primarily by the desire to render service to other individuals and to the public. Bankers and industrialists are envied by countless church members because they enjoy a degree of luxury which would be considered disgraceful for a minister or a missionary. The double standard of sex morality for men and women has proved to be less destructive of human values than has the double standard of economic morality for laymen and missionaries. Jesus' relentless condemnation of greed has often been explained away by the use of soft words about enlightened self-interest as the dynamic of prosperity.

Another indefensible aspect of capitalism or individualism is its eulogizing of the competitive struggle as the primary method of distributing the proceeds of industry. Self-interest expressed in competition for the necessities, comforts and privileges of life inevitably produces strife and battle. Worker is pitted against worker in a desperate struggle for a job, and for countless workers life becomes a ghastly alternation between fear of losing their jobs and fear that unemployment will be long continued. The demoralizing effects of unemployment and the fear of being out of work are horrible beyond exaggeration. The reader will readily be able to supply details out of his own experience and observation. An economic system which subjects the workers to such an excessive degree of insecurity stands indicted by every high moral principle.

Capitalism likewise sets employer against employer in a terrific combat for survival. The halo of competition as a beneficent process quickly disappears in the market place, and instead competition stands

nakedly revealed as the primitive law of the jungle. "The survival of the fit," "dog eat dog" and "the devil take the hindmost" are phrases that call attention to awful realities. Dishonest and questionable practices are easily rationalized and condoned in the heat of conflict, and the moral sensibilities of the combatants quickly become dulled and deadened. Many a churchman has become so benumbed through the intensity of the strife that he is unconscious of the wide chasm between the religious principles which he professes and the "hard-boiled" business practices in which he is daily engaged.

Not only does capitalism compel worker to fight against worker, and employer against employer, but it causes employers to unite in class war against organized workers. The result is that industrial regions frequently become actual battle-fields, and the armed forces of capital exchange shots with the armed forces of labor. And the conflict assumes still more titanic dimensions when employers and workers are organized as citizens and engage in war with the citizens of other nations for control of the economic resources of the earth.

An economic system that operates through the competitive struggle for private gain inevitably generates hatred, strife and bloodshed on an appalling scale. The attempt to reconcile such an economic order with the religion of Jesus and the prophets is as futile as was the previous endeavor to reconcile slavery with Jesus' way of life.

The result of all this is that the rolls of the churches are cluttered up with the names of pagans whose philosophy of life and manner of conduct are utterly alien to the religion they profess. Before the existing situation can be remedied it is necessary that religious leaders understand clearly "how the churches got that way." First of all emphasis must be placed upon the age-old tendency of human beings to accept that which is familiar. This generation of Americans has never known any other system than capitalism and the line of least resistance has been to accept and defend it, just as previous generations supported and perpetuated monarchy, feudalism, and slavery. The power of inertia is so stupendous that masses will endure almost every form of misery rather than engage in revolutionary action.

The theology of orthodox Protestantism has made it easy for churchmen to acquiesce when confronted with the demands of capitalism. Evangelism has been concerned primarily with the salvation of the individual, rather than with the redemption of the social order. Or, to appraise the record more accurately, the assumption has been widespread that saved individuals would redeem society.

Salvation has been regarded more as an act than as a process, and excessive emphasis has been placed upon salvation from the fire of a future hell.

In attempting an ethical evaluation of the economic order, religious leaders have arrived at distorted conclusions because of inadequate standards of measurement. They have usually followed the procedure of comparing that which exists now with that which prevailed in earlier periods of history, and of judging conditions here by the situation which prevails elsewhere in the world at the present time. By this double standard, slavery was upheld; the assumption being that since the slaves were better off than their forefathers had been as cannibals in the jungle, and since their lot was not as unfavorable as that of slum-dwellers in New York or London, slavery was a beneficent institution. Complacency has been easy for religious leaders in this country because of their double conclusion that American workers are better off than the workers of any previous generation, and that they enjoy a higher standard of living than is to be found elsewhere at the present moment. Just as slave owners rarely measured their economic system by the ideal of the brotherhood of all men, this generation of religious people, with numerous exceptions, have failed to judge capitalism by the ideal of the Kingdom of God on earth.

Their failure has been due not only to the individualistic gospel proclaimed, but also to their lack of proper training in economics. Relatively few laymen, and still fewer clergymen, are equipped to evaluate the virtues and vices of capitalism, and to form judgments as to the relative worth of other systems of production and distribution. Such economics as they have been taught, usually came from defenders of the prevailing system. Ministers have generally realized that in discussing industrial problems they were beyond their depth, and have felt more at home in the realm of exhortation against personal sins.

Religious leaders have frequently been blind to exploitation and cruelty and strife inherent in the industrial system. Congregations have usually been composed of members of the middle and upper classes, with only a small proportion of proletarians. The class struggle has therefore been viewed through the eyes of the most favored section of the population. Ministers have been welcome visitors in the homes and offices of the wealthier members of the churches, whereas intimate friendships with members of the working class

have been less common. From a hundred sources members of the churches have been subjected to propaganda in defense of capitalism, while they have been assured that socialism and other alternatives to the present system are materialistic, atheistic, and subversive of religious values.

And high on the list of important reasons must be placed vested interests. It has always been extremely difficult for men to be ethically critical of the system out of which emerge their own comforts, privileges, and power. Some slave owners were sensitive to the inherent brutality and barbarity of the slave system, but not many. Some capitalists have been alert to the chasm which separates current business practices from their religious ideals, but only a small fraction of Christian laymen have devoted themselves seriously to the task of supplanting capitalism with an economic order more consistent with the religion of Jesus. Moral blindness has characterized the attitudes of most religious people toward economic questions, while all but a few of the remainder have been stricken with paralysis and have failed to take effective action against capitalism.

Clergymen likewise have had an important stake in the prevailing system. Their salaries, security, and prestige have been derived primarily from capitalist gifts, and they have been extremely sensitive to the fact that ethical assaults upon the foundations of capitalism would be resented bitterly by their chief supporters. The predominant ecclesiastical system in the United States has made it easy for rich laymen to send an offending minister on to "a more congenial parish," or to "a field of larger opportunity." Down to the crash of 1929, few ministers could openly and vigorously advocate socialism without running the risk of being discharged from their positions—just as in an earlier day it was perilous anywhere in the South for a clergyman to be known as an abolitionist. And, after all, a man must provide for his family!

More subtle and far more demoralizing has been the temptation confronting ministers to refrain from attacks upon capitalism in order to avoid friction within the church. Realizing only too well how ruthless would be the resentment of successful laymen if the prevailing system were indicted as incompatible with high religion, many ministers have concluded that it is advisable to remain silent, rather than "split the church." Having decided for various reasons to "soft-pedal," the minister is likely to attempt to salvage his self-respect by magnifying the virtues of capitalism by distorting the

vices of competing systems, and by deciding that there are two sides to the question and that honest men may differ in their judgments.

In all these and other ways the churches have become entangled in capitalism. Accuracy demands that one hasten to say that organized religion is far less entangled with the prevailing economic system now than it was in 1929. It is not an exaggeration to say that *a revolution in thought on economic questions is occurring within the churches*. The number of out-and-out Socialists among ministers is rapidly increasing, and it is probable that in the last Presidential campaign, Norman Thomas received a higher percentage of votes from clergymen than from manual workers—that is to say, the proportion of ministers out of the total number in this country who voted for the Socialist candidate was probably higher than was the ratio of total workers who voted Socialist. Nevertheless, only a bare beginning has been made in extricating organized religion from the embrace of capitalism.

In outlining the steps that need to be taken, we cannot do better than to begin with the significance of penitence. Churchmen of America need to be convicted of sin. It is not enough that they should regret the collapse of individualism as a social system, and in desperation turn to some alternative that promises most quickly to bring prosperity. Even if the days of 1928 and early 1929 could be brought back again, the economic situation would be utterly indefensible on moral grounds. The greedy scramble for private gain and special privilege, the gambling spirit and the ruthless determination to gain wealth by means fair or foul, the callous indifference to how the other half lived or at most the throwing of a few crumbs of philanthropy, the bitter exploitation of the weak and the brutal suppression of the workers as they attempted to organize in defense of their minimum rights, the cruel assumption that there must always be a wide gulf between the rich and the poor, the willingness to send unnumbered victims to their doom on the battlefield in defense of vested interests—all these and countless other evils are inherent in the economic order which held sway in 1929. God forbid that we should have any desire to return to that living hell!

Religious people must be brought to a vivid realization of their awful guilt in sanctioning and supporting an economic system which in fundamental respects is the direct antithesis of their religious ideals. The passion of the old evangelism must be recovered and sinners brought to the mourners' bench, not merely in penitence for

their personal sins, but also in contrition because of their acceptance of and participation in giant economic and social evils. Men must be reminded that as civilization becomes more industrial and urban, relationships become more impersonal, and that much of our sinning is done as members of groups.

An employer who lives in complacent ease while paying heads of families \$14 per week or less is a sinner and must be brought to a sense of guilt. The investor who is willing to accept unearned income from a corporation that is failing to pay its workers a living wage, the corporation official who is backed by hundred of millions of capital furnished by tens of thousands of investors and is supported by the costliest legal talent and yet who is unwilling to bargain collectively with his workers through representatives of their own choosing, the consumer who carelessly buys in the lowest market unmoved by the fact that these commodities are covered with the blood of exploited workers, the woman who moves luxuriously from one meaningless round of social activities to another, the skilled worker with a job who feels no solidarity with and no sense of responsibility for his weaker brethren, the attorney who uses his knowledge of law to enable a client to evade income tax payments, the college trustee who uses his power to secure the discharge of a professor whose radical ideas are regarded as a menace to capitalism the teacher who maintains a craven silence on controversial issues for fear of losing his job, the clergyman who from a mountain peak sees a noble vision but fails to follow it out of fear of consequences—all these are notorious sinners and before they can be saved there must be awakened in them a terrible sense of guilt. "If we say, 'We are without any sin,' we are deceiving ourselves, and there is no truth in our hearts. . . . If we say, 'We have not sinned,' we are making him a liar, and his message is not in our hearts."

In every possible way one must strive to break the intellectual moral, and financial bonds that the present economic order has thrown about us. To this end one must become a serious student of economic problems. The layman or minister who is unable or unwilling to rearrange his time in order to make possible ample time for reading and reflection on economic questions cannot hope to escape the intellectual domination of the old system. Analysis of the existing situation, and exploration of suggested alternatives are alike essential to mental deliverance. Clergymen should realize that during the critical days ahead no phase of their work will assume greater sig

nificance than the task of opening the eyes of their parishioners to the meaning and significance of economic forces. Economic factors are destined increasingly to dominate other areas of life, and the teacher of morality and the interpreter of religion must be a master of economics if he is to be a true shepherd. The wise minister will fence off at least two hours daily for continuous study of the life-and-death problems of industry. Some pastors have concluded that four hours of daily study is the minimum which will enable them to speak with authority. It is high time that prophets of religion should put first things first.

Complete moral disentanglement is impossible in a complex society, but a high degree of extrication can be accomplished by determined efforts. The minimum for a religious person is the declaration, often repeated, that capitalism, as an economic and social system, is irreconcilable with the ideal of the Kingdom of God on earth. When the Lord's Prayer is prayed with insight it becomes a petition for the abolition of capitalism and the supplanting of the existing economic order with a society which is consistent with the religion of Jesus. If the moral approval of religious people were withdrawn from the system of individualism, it could quickly be transformed. Just as the churches belatedly called slavery sin, and later many religious institutions pronounced war to be the world's most colossal sin, religious bodies should now declare that sanctioning and supporting the profit system is sin. The halo of respectability must be removed from capitalism. It must be excommunicated as a scourge of humanity.

So long as America is a capitalist country, it will not be possible for residents to free themselves entirely from the coils of capitalism. From time to time certain prophetic spirits have sought to break completely with the prevailing economic order. Some have gone so far as to refuse to own any possessions except scanty garments on their backs, and to refrain from using money for any purpose. But they have not been able to avoid contamination if they have maintained any social relations whatever. A completely self-sustaining hermit life apart from other human beings alone would bring exemption from responsibility for the evils of society. And such an individual is not likely to be effective in abolishing capitalism and replacing it with an equitable economic order.

But it is possible drastically to lessen the degree of entanglement in capitalism. A sensitive religious person with an awareness of the volume of tragedy inherent in our industrial system will reduce the



privileges he accepts from the present system to the minimum required in order to equip him for maximum effectiveness in abolishing capitalism. To use the proceeds of capitalism for the purpose of destroying capitalism may not constitute the essence of consistency, but it is a legitimate procedure for a victim who is caught unwillingly in its meshes.

It will soon become apparent to the serious student that individual action will not suffice for the solution of industrial problems. Consider the predicament of the owner of a small factory who desires to square his business practices with his religious ideals. He realizes that his wage rates are inhumanly low, but if he pays a living wage, the cost of marketing his products will be so high that he will lose trade to competitors who continue to exploit their workers. If he decides, nevertheless, to increase wages and take the consequences he may be forced into bankruptcy and his employees thrown out of work. In a hundred ways the impotence of the lone employer is brought home to him, with the result that many business men reach the conclusion that religion is impracticable in the market place, and that every hog must root for himself.

The discerning employer who desires justice for his employee will recognize the necessity of collective action on the part of all workers, and will therefore encourage them to unite with national unions. Certainly the alert minister will recognize that paternalism in the local plant is an utterly inadequate substitute for self-help through nation-wide collective action on the part of the workers. One of the most important functions of radical ministers in the coming decades will be that of convincing idealistic and generous laymen that industrial problems cannot be solved by good intentions on the part, but that the most important service they can render to the employees is to promote workers' solidarity and thus strengthen the collective power of labor throughout the nation. And the economic organization of the workers must be supplemented by political organization. Governmental action is absolutely essential to the solution of economic problems, and if the workers are to secure a square deal their point of view must be dominant at the seat of political power.

If religious leaders are to disentangle themselves from capitalism they must recognize the reality of the class struggle and throw the full weight of their influence on the side of the workers. Under the profit system, employers not only seek the maximum personal gain through competition with other employers, but unite with oth

employers in a common struggle against the workers in the endeavor to secure a lion's share of the proceeds for the owning class. The full power of this class will be put forth to preserve and perpetuate the system of private ownership of natural resources and basic industries and appropriation of profit by owners, and so long as they are successful the workers will continue to be exploited. Justice awaits the abolition of private ownership of the primary means of production and distribution, and victory will require one of the most terrific struggles in human history. To maintain that the present owners will meekly consent to the transfer of their property to public ownership and operation is to be blind to all the realities of the situation. They will yield only when compelled to do so by the superior power of the workers.

Owners *are* class conscious, and the class struggle *is* a fact. The all-important task of religious leaders is to help prevent the class struggle from taking the form of class war. The thesis supported in this volume is that the transition from capitalism to socialism may be accomplished without warlike revolution if the necessary steps, outlined herein, are taken. *But pacific revolution in the United States is conditioned upon the winning the support of a powerful section of the middle class for socialism.* Failure at this point will guarantee a violent upheaval from below, with all the horrors of civil war. If religious leaders remain blind to the realities of the class struggle and hold themselves aloof, they will simply play into the hands of those who are advocating violent revolution.

But the question is certain to be raised, How can a religious person consistently participate in the class struggle? If the owning class will not yield except under the pressure of coercion, on what ground is a clergyman or layman warranted in becoming a party to such a procedure? Clear thinking is demanded upon such questions as these: Is compulsion necessarily a violation of the law of love? Is it impossible to exercise coercion in the spirit of active goodwill? Does forcible restraint necessarily mean a departure from the principle of mutuality? Does loyalty to the Golden Rule lead to acquiescence in the face of evil or at most to passive resistance? Do the two Great Commandments forbid all kinds of social coercion?

Here is a fundamental problem of this age. If an affirmative answer is given to these questions, a logical consequence will be the withdrawal of religionists from active participation in the class struggle, on the one hand, and on the other, the repudiation of religion

as a practical and beneficent factor under present circumstances by persons who consider forcible restraint and coercion as absolutely essential to social justice.

A sharp cleavage between religionists and social revolutionists would constitute a tragedy of first magnitude. Such a separation would in actuality mean allegiance to the present social system by churches and synagogues, for in the existing situation to be neutral or inactive is in reality to render valiant support to the present holders of power and privilege. It still remains true that there are circumstances under which "he that is not for us is against us." In that event, those persons who are seeking to impose collective restraints and coercions upon iniquitous vested interests would naturally conclude that religionists who actively support their oppressors or stand passively upon the sidelines must be numbered among their enemies. The inevitable result would be bitter hostility to religion and a determined effort to extirpate it as a social curse, as is now the case in Soviet Russia.

But we are not impaled upon the horns of this dilemma, the rejoinder will be made from certain quarters. To withhold approval from the use of restraint or compulsion is not necessarily to be neutral or inactive. It is still possible to be unrestrained in condemnation of evil and untiring in the endeavor to convert and transform wrongdoers. And this response requires us to consider two fundamental questions: Have we reason to believe that conversion of the present owners of property will produce the necessary social changes required in order that justice may be secured by the victims of the existing economic system? Is there available a supplementary method which is both ethically justifiable and socially effective? My own opinion can be put in few words: Persuasion by itself will not suffice; but fortunately ethical forms of effective coercion are available.

The wielding of power has a blinding effect. For a slave owner to understand the significance of the process out of which emerged his privileges, prestige and power was a near-miracle. Even genuinely converted Christians—that is, those who were gripped by a passionate desire to do the will of God—failed to see the inherent cruelty of the slave system, but instead looked upon it as being divinely ordained. Century after century truly devout men supported the political order of the divine right of kings, and for hundreds of years the churches sanctioned and supported the feudal system, with all its semi-slavery and inhumanity. Multitudes of Christians in the United States at

the present time, men and women who zealously aspire to Christ-likeness, conscientiously support the capitalist system and fail to understand its inherent cruelty and injustice.

Moreover, even among the small company of the elect who do recognize the incompatibility of the present industrial system with their religion, there is widespread paralysis because of timidity and a sense of impotence. For a powerful industrialist to condemn unsparingly the system out of which he secured wealth and prestige and to commit himself untiringly to the task of transforming the old system into a radically different economic order required courage of a higher quality than is possessed by most persons, even though they have good intentions. Indeed, the trouble is much more deep-rooted because of the inherent difficulties confronting a man who seeks to conduct his business on an ideal basis within an unjust social order. Long ago Robert Hunter pointed out in his provocative volume, *Why We Fail As Christians*, the impossibility of being fully Christian in an un-Christian society.

The evidence, therefore, seems to be conclusive that there is only a remote possibility of converting enough property owners to make possible the transformation of the present economic order by voluntary action from the top; with perhaps an even more remote chance that these regenerated individuals will be able by persuasion to abolish the prevailing barbarous exploitation on the part of their unredeemed competitors. That the millions of miserable victims of capitalism will wait for this age-long process to alleviate their suffering appears wholly unlikely. Thus the assumption that religion must rely exclusively upon non-coercive methods is fraught with infinite social peril. It is imperative, therefore, that we discover and utilize effective means of restraint and compulsion that are consistent with religion.

And so we return to the question, Is compulsion necessarily a violation of the law of love? To offer an affirmative answer is to deny the validity of all existing governments. This is the position taken by Tolstoy and other absolute non-resistants. Few readers of these words, however, will agree that anarchy alone is consistent with love. Failure to isolate an individual who has contracted an infectious disease, even in spite of his objection, might cost hundreds of lives. Under present circumstances and for a long time in the future, coercive penalties will be necessary for the enforcement of the sanitary code and pure food laws. The refusal to enforce traffic regulations against careless or reckless offenders would make the highways

impassable. The policy of leaving the question of paying taxes to the discretion and thoughtfulness of individuals, with no compulsion attempted, would produce gross injustice. In a community which includes immature, abnormal and depraved persons, failure to provide police protection would certainly lead to outrages, loss of life, and retaliatory violence.

The proposition is debatable that at some future time a society will have been created in which no forcible restraint or coercion of any kind will be needed, but no reader of this paragraph will live that long. For this generation the question assumes the form: In our complex civilization is coercion in some form essential to security, justice, and social harmony? And there is only one possible answer. Pure anarchy in this country, now or at any time in the near future, would lead only to chaos and violence. Only a few persons out of our entire population would dissent from this conclusion. The only differences of opinion among us have to do with the realms in which compulsion is required, appropriate methods of making it effective, and the degree to which it may justifiably be carried.

We must now face the vital question of whether or not religion is practicable under present conditions. If compulsion is absolutely incompatible with love toward one's neighbor, then the conclusion is inescapable that truly religious persons cannot function as citizens of complex modern communities, and if consistent must withdraw to ascetic colonies. But was Tolstoy justified in interpreting the Sermon on the Mount in anarchistic terms? The answer cannot be found in isolated texts or combinations thereof, but rather in a consideration of the basic elements which together constitute the religion of Jesus. He himself summed up his message as a twofold obligation of love toward God and love toward all men, including enemies. The Golden Rule of conduct was phrased in terms of mutuality: "do unto others as you would have them do unto you." The true criterion of every thought and deed must, therefore, be found in its effects upon human personality, human relations, and communion between man and God.

Perhaps we may gain illumination from a consideration of the way true love may legitimately express itself in a home. Does deep affection on the part of a father rule out all forcible restraint or compulsion of a son? Or is it truer to say that under certain circumstances love just because it is love will coerce the loved one? Consider this situation: a son in a fit of rage seizes a chair and is about to kill

his sister. The father is near at hand and quickly reaches the conclusion that nothing short of physical restraint will save his daughter's life. Will the use of force against his son constitute a violation of the spirit of love? The only ethical answer is an emphatic negative. Love toward son and love toward daughter alike demand the prevention, by ethical means, of a terrible crime.

The central problem here involved may be evaded by saying that if the son had received proper training such a situation would never have arisen, or that other means than forcible restraint are open to the father. But the crucial question for those of us who live in a wicked and sinful generation is this: If failure on the father's part to use force would cost the daughter's life, would such restraint be incompatible with genuine love toward the son? By no means. On the contrary, for the father to permit a crime which he could prevent would itself constitute a base betrayal of affection for the boy. That is to say, *there is no inherent irreconcilability between love and coercion, but rather the reverse; under some circumstances love ceases to be love if it fails to use moral means of restraint.*

Thus we may say that coercion is not necessarily a contradiction of religion and that the actual problem before us is the determination of just what forms of compulsion are consistent with active goodwill. I am therefore unable to agree with Reinhold Niebuhr when he writes: "Nothing is clearer than that a pure religious idealism must issue in a policy of non-resistance which makes no claims to be socially efficacious." Nor can I follow Theodore C. Hume when he says: ". . . an appeal to social coercion, as a buttress of moral ideals, falls short of the teaching and example of Jesus." Non-resistance in the sense of rejecting all forms of coercion is not always a legitimate expression of love toward man and love toward God. Indeed, as I have been pointing out, the refusal under some circumstances to exercise forcible restraint is a betrayal of love and therefore a betrayal of high religion. An ethical and rational individual, who in a moment of uncontrolled rage was about to do irreparable damage to another person, would look with gratitude upon a friend who forcibly restrained him from committing an act of madness. The Golden Rule does not forbid all compulsion: on the contrary there may be occasions when to "do unto others as you would have them do unto you" requires coercion. Forcibly to restrain a drunken youth who is about to outrage a struggling young woman is not to abandon the principle of active goodwill. A physical blow against a kidnapper who is

attempting to flee with a small child is not a denial of the doctrine of mutuality. *In countless situations in an imperfect society a man in the truest spirit of the noblest religion must resort to coercion.*

But the further question must be faced: may the true spirit of religion be expressed in coercive action against anti-social groups? Does the principle of mutuality permit the adoption of compulsory measures against exploiters and oppressors? Are there forms of resistance to evil which are compatible with goodwill?

It may be rewarding in this connection to consider the response of Mahatma Gandhi to this fundamental question. Here is an exalted seer of religion who is passionately convinced that mass coercion of evildoers is not only permissible but obligatory. Acquiescence in the face of foreign exploitation he regards as a betrayal of religion. Reverence for the personalities of his people prompts him to unrelenting opposition. That mutuality is impossible so long as the present status is maintained is a fixed idea in his mind, and with entire goodwill he is exerting terrific pressure—moral, political and economic—against the imperialism of Britain. He repudiates hatred and weapons of violence, but is resolutely determined to compel the conqueror to transfer political sovereignty to his countrymen. And there is an abundance of evidence that England will ultimately be obliged to yield.

But, the rejoinder will be made, Mr. Gandhi is not wholly consistent and his movement contains elements which cannot be reconciled with high religion. Some of his supporters exhibit venomous hatred toward the British and occasionally persons enrolled under his banner resort to violent outrages. And the more effective his campaign of non-cooperation becomes, the more severe the suffering imposed upon English workers who are thereby thrown out of employment. It would be futile to maintain that any political movement can be kept absolutely free from ethical inconsistencies, or to contend that Mr. Gandhi's campaign of non-violent non-cooperation is entirely without moral contradictions. But with emphasis the assertion may be made that, when all the complex aspects of the situation are taken into account, there has been miraculously little violence, while enmity has been kept at an amazingly low level. And it is especially important to correct a frequently repeated statement that the non-cooperation movement is causing starvation in the textile regions of England. Such is not the case, although it is true that the degree of financial burden placed upon the government in

providing unemployment relief has thereby been increased. The suffering voluntarily endured by Indian participants in the non-cooperation movement is much more severe than that imposed upon the oppressing nation, although it is much less ghastly than the agony of soldiers on the battlefield.

Of the three alternatives open to the people of India—acquiescence for years to come, revolutionary war, and non-violent non-cooperation—it seems clear to me that Mr. Gandhi has chosen the method which is most consistent with respect for personality, mutuality, and active goodwill. That is to say, the method which is most consistent with religious idealism is proving to be also the most practical political procedure.

But the question is sure to be raised: Are you justified in saying that coercion is consistent with religion in the light of Jesus' rejection of force as a means of delivering his people from the bondage of Rome? There are two ways of attempting to get at the roots of this problem. First, by examining and comparing the various Biblical texts that are relevant to the discussion, and basing a conclusion upon specific passages ("Resist not him that is evil"—"Go and buy a sword"—or other isolated injunctions). Second, by discovering the basic constituent elements in Jesus' religion and by viewing our own contemporary problems through the mind of Christ. If we follow the latter course, the question we are considering takes the following forms: Is coercion consistent with love toward God and man? Is compulsion compatible with deep reverence for personality? Does forcible restraint ever contribute to the building of the Family of God?

The evidence is too fragmentary to enable us to reach an infallible conclusion as to the degree to which Jesus actually resorted to coercion, or to determine with finality the reasons why he acted as he did in specific situations. Nevertheless, the record is crystal clear as to the essential nature of his way of life. He sought to live every day as a good member of God's Home, and tested every attitude and deed by the criteria of the sacredness of personality, the principle of mutuality, and the practice of fellowship. Repeatedly he challenged his disciples to live daily as if the Family of God had already come.

It is of course true that in our own day we cannot always decide from the literal example of Jesus just what course of action in a specific setting will enable us most completely to exalt personality



and to harmonize human relations. But the basic concepts and experiences of his religion—which in theological language we call the mind of Christ—are as valid today as when he walked Galilee in the flesh, and if lifted up will throw a vast flood of illumination upon the complex problems of our modern civilization.

If reverence for personality, the principle of mutuality, active goodwill, and love toward God and man constitute the essence of high religion, then in many situations, in an imperfect world, compulsion becomes a religious obligation.

May class *war* likewise be defended on ethical and religious grounds? Is there no moral distinction between coercion and killing? Are imprisonment and electrocution essentially alike? Is taxation closely akin to revolutionary confiscation of property? Does the enforcement of traffic rules rest upon the same foundation as the maintenance by violence and terror of a proletarian dictatorship?

To return to an illustration previously used, is physical restraint of a son by a father the same thing in principle as would be the taking of the boy's life? No, emphatically no, is my answer. The deliberate killing of a son to protect a daughter raises a fundamentally different question. Forcible coercion is not necessarily a violation of the law of love, but I find it impossible to reconcile the intentional slaughter of any human being with the religious principle of reverence for personality, that is, respect for the personality of the dead man. Nor does active goodwill or the principle of mutuality justify the willful taking of human life.

But what is demanded by the principle of respect for the personality of the daughter? Is the life of her brother more sacred than her own? Here we are confronted with the all-important question of an ethical strategy on the part of the innocent in dealing with the guilty. The opinion has been almost universal and is still widespread that, in order to protect helpless people, the killing of criminal men is not only ethically justifiable but actually obligatory. Indeed the entire protective and penal system of modern society at present is founded upon this assumption.

This basic concept seems to me to be wholly at variance with the religion of Jesus. He summed up his way of life in the language of the two preeminent commandments, and sought to erect the Divine Society—the Family of God—upon the foundations of the fatherhood of God and the brotherhood of man. Every person is a child of God and a brother of man. Therefore personality is the supreme

value, and should be regarded as an end and not merely as a means to an end. Brother should act toward brother in ways that are consistent with brotherhood. If coercion of every kind is an inherent denial of the family spirit, then it is immoral. But if certain types and degrees of compulsion represent true expressions of brotherly affection, coercion may ennoble personality. If the killing of a brother is an act which in its very essence is alien to and destructive of the family bond, then it is ethically unjustifiable.

From the perspective of high religion, the authorization of the police to kill a fleeing thief is a grossly immoral procedure. Property is thus elevated above personality. And if the observation be made that the inviolability of private property is necessary to the enrichment of personality in general, and that the refusal to kill robbers would encourage thieving and thus jeopardize all property, the rejoinder may be offered that any society which can protect its property only by shooting or hanging its offenders stands morally condemned. Before a just society can be established the property system and the penal code of such a social order must be radically transformed.

If the principle is accepted that killing in defense of property and life is valid and mandatory, armed preparedness for war follows automatically. In an endeavor to safeguard the inviolability of property rights and human life on the high seas, the United States entered the World War, and to this day millions of patriotic citizens believe that our loss of 100,000 soldiers and the expenditure of 25 billion dollars was not only justifiable but unavoidable. That the navy is maintained at its present level for the purpose of protecting our sea-borne traffic and safeguarding our property in foreign lands, far more than for the purpose of keeping our shores from being invaded and our fellow citizens from being murdered, is an argument that runs like a crimson thread through the literature of armed preparedness.

Emphasis upon the social menace of the doctrine of defensive killing does not, however, excuse us from the necessity of facing squarely this supremely significant question: If a father is confined within the limits of the alternatives of taking his son's life or witnessing the death of his daughter at the hands of his son, what would be his religious duty? If non-killing fails to protect property and life, what is the way out for society? For me the answer of religion is clear: Seek to protect the innocent by reliance upon meth-

ods which are consistent with deep reverence for the personality of the wrongdoer; resort to that kind and degree of restraint or compulsion which is warranted by this principle; run the consequent risks and accept whatever penalties are thereby imposed.

And if you say that such a policy would result in suffering and death for many innocent persons, I will make a triple rejoinder. The struggle between innocence and guilt necessarily results in misery and loss of life regardless of the methods and weapons used. Second, the existing penal code and the war system of armed preparedness to slaughter the guilty, and the eventual resort to armed hostilities, produce far more pain and cause more deaths among the innocent than would be the case if the doctrine of defensive killing were abandoned. Third, it is morally preferable for the innocent to die at the hands of the guilty than to save their own lives by slaying the offenders. Retaliatory killing is provocative and tends to be self-perpetuating. The willingness of the innocent to die rather than to kill may be redemptive.

Clear thinking on this subject must be based upon a realization that suffering and even death are inseparable from social conflict. For millenniums the endeavor has been made to safeguard life by preparedness to use violence, with results that are written in blood across the centuries. The periods in English history when the law was most ruthless and a hundred capital offenses were punishable by death were the decades when property and life were most imperiled. In our own day we have seen that ruthlessness on the part of the police increases public insecurity and multiplies the homicide rate. Capital punishment is not an effective deterrent to crime. On the contrary, by cheapening the value of human life and brutalizing the public mind, electrocution or hanging is likely to imperil society, rather than to safeguard it. Likewise the historic effort to preserve life by going to battle has proved to be a horrible failure, and nothing could be more menacing to humanity than continued reliance upon war—on land, under the sea, and in the sky. The case against defensive killing is cumulative and overwhelming.

Exceptions to the rule do not invalidate the general principle that restraint by capital punishment or warfare is grossly ineffective and highly perilous. Even if individual cases may be cited where innocent persons were protected by slaying the offender, it still remains probable that the general practice of killing in self-defense has increased enormously the toll of victims. Innocent people will be mur-

dered as long as society is imperfect, and the common sense thing to do is to select from among defense methods that are consistent with high religion those which are most likely to accomplish the desired end. Complete rejection of the practice of executing offenders would spur society forward in the search for more effective non-violent means of restraining the lawless.

And of the utmost significance is the fact that even if dependence on non-violent coercion resulted in the death of as many innocent persons as would be killed by taking up weapons of violence, the social consequences would be utterly different. To kill your enemy or to lay down your own life rather than slay a wrongdoer alike results in the death of an individual, but the social consequences will not be the same. If Mr. Gandhi should starve himself to death in an endeavor to coerce his opponents into the abandonment of evil policies, his action may be called violence, as was done by Professor Coe in an article on What Is Violence? in *The World Tomorrow*. But such an act would possess an utterly different quality from the murder of an exploiter or oppressor. When Indian nationalists in their non-violent resistance to British rule permit themselves to be beaten prostrate to the ground without retaliatory acts on their part, they are exhibiting coercion and suffering in a form that is not provocative but redemptive. Preparedness to kill perpetuates violence, and fails to afford security to the innocent. Repudiation of the principle of defensive killing and reliance upon ethical means of resistance are imperative if the vicious circle of taking life in order to save life is to be broken. And so religious idealism, as I understand it, rules out voluntary killing of evildoers.

Thus it appears to me that there is a fundamental distinction between coercion and killing, between imprisonment and electrocution, between international non-military sanctions and armed hostilities, between economic-political compulsion and violent class war.

I have already stated the case for coercive restraint on the part of the victims of exploitation and oppression, and expressed the opinion that in numerous situations in an imperfect society religious idealism must express itself through compulsion. The cumulative evidence leaves no room for doubt in my mind that effective pressure against the injustice inflicted by the owning class requires collective action on the part of the workers by hand and brain. Class consciousness has already been developed to a fine art by owners and employers. One has only to listen to the conversations of business

men to be impressed with the degree to which they are dominated by the traditions, emotions, practices and institutions of their class. Moreover, they are prepared to act collectively, through huge accumulations of capital, through an elaborate network of employers' associations and trade agencies, and through control of local, state and national government. The economic and political power—and therefore police and military force—at the disposal of the owning class is almost illimitable, and is wielded with a ruthless determination to maintain privilege, prestige and power.

In such a situation it is surely futile for the workers to expect justice unless they are prepared to exert effective pressure against their oppressors. Class solidarity is therefore an indispensable prerequisite to the creation of an equitable social order. The class consciousness of the owners and their collective determination not to relinquish their privileged status impose upon the workers the necessity of class consciousness and class struggle on their part. Justice may be secured only by the payment of a great price, a terrific and prolonged conflict.

Must class conflict necessarily assume the form of violent class *war* if it is to free the workers from the yoke of exploitation? Here we come to the parting of the ways for Communists and Socialists; perhaps one should say Socialists like Norman Thomas and the leaders of the Socialist Party of the United States, as well as those who dominate the British Labor Party. Communists believe that privilege and power cannot be wrested from the owning class without a violent combat and the resort to armed hostilities, while Socialists accept the class conflict as a reality, but reject violent class war, putting their reliance instead in economic and political coercion. As a Socialist, it is my deep conviction that a comprehensive program of economic and political action, without resorting to armed hostilities, offers far more hope of creating an equalitarian social order in the United States than is presented by a strategy of class warfare.

The social consequences of prolonged civil war in a highly industrialized nation would be devastating beyond imagination. The degree of interdependence of the people in an urban civilization and the destructiveness of chemical and aerial warfare would transform congested areas into infernos. The demolition and dislocation of an infinitely complex productive and distributive system would quickly produce hunger and starvation on an appalling scale in metropolitan communities. Modern warfare is ghastly beyond exag-

geration, and civil war among industrial populations is the most diabolical form of conflict.

The ethical and religious case against revolutionary violence is made even more conclusive when we recognize the part played by hatred in Communist tactics. Not class solidarity alone, but class hatred is deliberately engendered as necessary to effective hostility against the owning class. Communist literature abounds with direct incitations to hatred and every effort is made to infuriate the workers into armed rebellion against their oppressors. Class enmity must take the form of suppressing all opposition. That virulent hatred and enmity are irreconcilable with high religion seems obvious beyond dispute.

My conclusion, then, is that the Socialist program of persuasion and social coercion through economic and political pressure is more consistent with religious idealism than any other method which offers hope of building a just social order; and that the Communist strategy of violent class war is pragmatically indefensible and morally unjustifiable.

And now a further question must be faced: What should be the attitude of truly religious persons toward the workers, if in desperation they resort to armed action in an endeavor to secure justice? My own answer is clear and unequivocal. I am on the side of the victims of exploitation and injustice, and make no pretense of being neutral in the class conflict. I have been endeavoring to make my position clear that *under no circumstances will I participate in armed warfare, whether it be international or class warfare. Moreover, I will never sanction or approve any kind of armed hostilities.* But even if the workers follow the fatal example of their oppressors and resort to retaliatory violence, I shall continue to believe in the justice of their cause, and to give them my non-warlike support. A Belgian pacifist who refused to take up arms against Germany did not thereby assume an attitude of neutrality, but chose to express his loyalty to Belgium in higher ways than by killing Germans. Such a man was not acting as a parasite, profiting by the suffering of his countrymen. Likewise, it is possible for a non-violent revolutionist to refrain from participating in or sanctioning armed hostilities, without abandoning his loyalty to the workers. Being convinced that all armed warfare is ineffective and unethical, a radical religious pacifist should refrain from hatred and murder, and should depend utterly upon persuasion and ethical forms of coercion, being willing

to run risks and accept consequences while cooperating to the utmost with a loving and suffering God, who through the ages has been endeavoring to create a just and harmonious Fellowship of Kinsmen.

He should be under no illusions as to the extent of the difficulties and the degree of the peril involved in repudiating the *status quo* and struggling for a new society. Non-conformity has always been dangerous, and men were subjected to all manner of persecution because they rejected feudalism, slavery and the war system. It will be so with clergymen and laymen who repudiate capitalism and advocate its replacement by socialism. For many it will mean discord, opposition, and persecution; for some it will involve loss of position and reduced income; and for others it will mean physical danger and suffering. Prevailing customs and existing institutions are threatened by pioneers and prophets as well as by robbers and murderers, with the result that saints and sinners have often been thrust into adjoining cells. The crucifixion of Jesus between two thieves is the supreme illustration of a historic truth that nobility and depravity have often received the same punishment. The forces which sent Jesus to the cross slew many seers of an earlier day, and through the centuries since have sent prophets to their doom.

In this age men and women who refuse to uphold capitalism with all its brutality and exploitation will reproduce many of the experiences of the abolitionists who repudiated slavery, and will furnish additional evidence of the validity of the warnings of Jesus: "Here I am sending you out like sheep among wolves . . . they will give you up to their courts, and have you flogged in their synagogues, and you will be brought before governors and kings on my account. . . . One brother will give up another to death, and a father his child, and children will turn against their parents, and have them put to death. You will be hated by everybody on my account."

The demands of religion are more legitimate, but not more exacting, than the demands of nationalism, fascism, and communism. Everywhere it is assumed that patriots must be willing to die in battle at the command of the state. Mussolini and Hitler and Stalin all take it for granted that the faithful will if necessary lay down life itself in the holy cause. And pacific revolution in America will not be wrought by men who are afraid of losing influence, position and income. Building a new world is the most perilous form of pioneering, and the most glorious victories of religion have ever been won in hours of fiercest danger. And so will it be in our day.

## Appendix I

### THE 1932 PLATFORM OF THE SOCIALIST PARTY OF AMERICA

(549 Randolph Street, Chicago, Illinois)

We are facing a breakdown of the capitalist system. This situation the Socialist party has long predicted. In the last campaign, it warned the people of the increasing insecurity in American life and urged a program of action which, if adopted, would have saved millions from their present tragic plight.

Today, in every city of the United States, jobless men and women by the thousands are fighting the grim battle against want and starvation, while factories stand idle and food rots on the ground. Millions of wage-earners and salaried workers are hunting in vain for jobs, while other millions are only partly employed.

Unemployment and poverty are inevitable products of the present system. Under capitalism the few own our industries. The many do the work. The wage-earners and farmers are compelled to give a large part of the product of their labor to the few. The many in the factories, mines, shops, offices and on the farms obtain but a scanty income and are able to buy back only a part of the goods that can be produced in such abundance by our mass industries.

Goods pile up. Factories close. Men and women are discharged. The nation is thrown into a panic. In a country with natural resources, machinery and trained labor sufficient to provide security and plenty for all, masses of people are destitute.

Capitalism spells not only widespread economic disaster, but class strife. It likewise carries with it an ever present threat of international war. The struggle of the capitalist class to find world markets and investment areas for its surplus goods and capital was a prime cause of the world war. It is today fostering those policies of militarism and imperialism which, if unchecked, will lead to another world conflict.

From the poverty, insecurity, unemployment, the economic collapse, the wastes and the wars of our present capitalistic order, only the united efforts of workers and farmers, organized in unions and cooperatives and, above all, in a political party of their own, can save the nation.

The Republican and Democratic parties, both controlled by the great industrialists and financiers, have no plan or program to rescue us from the present collapse. In this crisis, their chief purpose and desire has



been to help the railroads, banks, insurance companies and other capitalist interests.

The Socialist party is today the one democratic party of the workers whose program would remove the causes of class struggles, class antagonisms and social evils inherent in the capitalist system.

It proposes to transfer the principal industries of the country from private ownership and autocratic, cruelly inefficient management to social ownership and democratic control. Only by these means will it be possible to organize our industrial life on a basis of planned and steady operation without periodic breakdowns and disastrous crises.

It proposes the following measures:

### *Unemployment and Labor Legislation*

1. A federal appropriation of \$5,000,000,000 for immediate relief for those in need, to supplement state and local appropriations.
2. A federal appropriation of \$5,000,000,000 for public works and roads, reforestation, slum clearance and decent homes for the workers, by federal government, states and cities.
3. Legislation providing for the acquisition of land, buildings and equipment necessary to put the unemployed to work producing food, fuel and clothing and for the erection of houses for their own use.
4. The six-hour day and the five-day week without a reduction of wages.
5. A comprehensive and efficient system of free public employment agencies.
6. A compulsory system of unemployment compensation with adequate benefits, based on contributions by the government and by employers.
7. Old age pensions for men and women sixty years of age and over.
8. Health and maternity insurance.
9. Improved systems of workmen's compensation and accident insurance.
10. The abolition of child labor.
11. Government aid to farmers and small homeowners to protect them against mortgage foreclosures and a moratorium on sales for non-payment of taxes by destitute farmers and unemployed workers.
12. Adequate minimum wage laws.

### *Social Ownership*

1. Public ownership and democratic control of our mines, forests, oil and power resources; public utilities dealing with light and power, transportation and communication and of all other basic industries.
2. The operation of these publicly owned industries by boards of administration on which the wage-worker, the consumer and the technician are adequately represented; the recognition in each industry of the principles of collective bargaining and civil service.

*Banking*

Socialization of our credit and currency system and the establishment of a unified banking system, beginning with the complete governmental acquisition of the Federal Reserve Banks and the extension of the services of the Postal Savings Banks to cover all departments of the banking business and the transference of this department of the post office to a government-owned banking corporation.

*Taxation*

1. Steeply increased inheritance taxes and income taxes on the higher incomes and estates of both corporations and individuals.
2. A constitutional amendment authorizing the taxation of all government securities.

*Agriculture*

Many of the foregoing measures for socializing the power, banking and other industries, for raising living standards among the city workers, etc., would greatly benefit the farming population.

As special measures for agricultural upbuilding, we propose:

1. The reduction of tax burdens, by a shift from taxes on farm property to taxes on incomes, inheritances, excess profits and other similar forms of taxation.
2. Increased federal and state subsidies to road building and educational and social services for rural communities.
3. The creation of a federal marketing agency for the purchase and marketing of agricultural products.
4. The acquisition by bona fide cooperative societies and by governmental agencies of grain elevators, stockyards, packing houses and warehouses and the conduct of these services on a non-profit basis. The encouragement of farmers' cooperative societies and of consumers' cooperatives in the cities, with a view of eliminating the middle-man.
5. The socialization of federal land banks and the extension by these banks of long-term credit to farmers at low rates of interest.
6. Social insurance against losses due to adverse weather conditions.
7. The creation of national, regional, and state land utilization boards for the purpose of discovering the best uses of the farming land of the country, in view of the joint needs of agriculture, industry, recreation, water supply, reforestation, etc., and to prepare the way for agricultural planning on a national and, ultimately, on a world scale.

*Constitutional Changes*

1. Proportional representation.
2. Direct election of the president and vice-president.
3. The initiative and referendum.
4. An amendment to the constitution to make constitutional amendments less cumbersome.
5. Abolition of the power of the Supreme Court to pass upon the constitutionality of legislation enacted by Congress.

6. The passage of the Socialist party's proposed Workers' Rights amendment to the Constitution empowering Congress to establish National systems of unemployment, health and accident insurance and old age pensions, to abolish child labor, establish and take over enterprises in manufacture, commerce, transportation, banking, public utilities and other business and industries to be owned and operated by the government, and, generally, for the social and economic welfare of the workers of the United States.

7. Repeal the 18th Amendment and take over the liquor industry under government ownership and control, with the right of local option for each state to maintain prohibition within its borders.

### *Civil Liberties*

1. Federal legislation to enforce the First Amendment to the Constitution so as to guarantee freedom of speech, press and assembly, and to penalize officials who interfere with the civil rights of citizens.

2. The abolition of injunctions in labor disputes, the outlawing of yellow dog contracts and the passing of laws enforcing the rights of workers to organize into unions.

3. The immediate repeal of the Espionage Law and other repressive legislation, and the restoration of civil and political rights to those unjustly convicted under wartime laws.

4. Legislation protecting aliens from being excluded from this country or from citizenship or from being deported on account of their political, social or economic beliefs, or on account of activities engaged in by them which are not illegal for citizens.

5. Modification of the immigration laws to permit the reuniting of families and to offer a refuge to those fleeing from political or religious persecution.

### *The Negro*

The enforcement of Constitutional guarantees of economic, political and legal equality for the Negro.

The enactment and enforcement of drastic anti-lynching laws.

### *International Relations*

While the Socialist party is opposed to all war, it believes that there can be no permanent peace until Socialism is established internationally. In the meanwhile, we will support all measures that promise to promote good will and friendship among the nations of the world including:

1. The reduction of armaments, leading to the goal of total disarmament by international agreement, if possible, but if that is not possible, by setting an example ourselves. Soldiers, sailors, and workers unemployed by reason of disarmament to be absorbed, where desired, in a program of public works, to be financed in part by the savings due to disarmament. The abolition of conscription, of military training camps and the R.O.T.C.

2. The recognition of the Soviet Union and the encouragement of trade and industrial relations with that country.

3. The cancellation of war debts due from the allied governments as part of a program for wiping out war debts and reparations, provided that such cancellation does not release money for armaments, but promotes disarmament.

4. The entrance of the United States into the World Court.

5. The entrance of the United States into the League of Nations under conditions which will make it an effective instrument for world peace, and renewed cooperation with the working class parties abroad to the end that the League may be transformed from a league of imperialist powers to a democratic assemblage representative of the aspirations of the common people of the world.

6. The creation of international economic organizations on which labor is adequately represented, to deal with problems of raw material, investments, money, credit, tariffs and living standards from the viewpoint of the welfare of the masses throughout the world.

7. The abandonment of every degree of military intervention by the United States in the affairs of other countries. The immediate withdrawal of military forces from Haiti and Nicaragua.

8. The withdrawal of United States military and naval forces from China and the relinquishment of American extra-territorial privileges.

9. The complete independence of the Philippines and the negotiation of treaties with other nations safeguarding the sovereignty of these islands.

10. Prohibition of the sale of munitions to foreign powers.

Committed to this constructive program, the Socialist party calls upon the nation's workers and upon all fair-minded and progressive citizens to unite with it in a mighty movement against the present drift into social disaster and in behalf of sanity, justice, peace and freedom.

## Appendix II

### THE FELLOWSHIP OF SOCIALIST CHRISTIANS

#### Statement of Principles and Objectives

The Fellowship of Socialist Christians are agreed in their conviction that a Christian ethic is most adequately expressed and effectively applied in our society in socialist terms. They believe that the Christian Church should recognize the essential conflict between Christianity and the ethics of capitalistic individualism. They believe that the evolu-

tionary optimism of current liberal Christianity is unrealistic and that changes fundamental enough to prevent destructive social upheaval will require a combination of social intelligence and ethical vigor not yet in sight. Remedies for specific abuses are no adequate substitute for the reconstruction of the economic order so that production primarily may be for the use of all and not for the profit of the privileged.

They believe that social change in the direction of the progressive achievement of social justice will not come solely through the ethical insights or the intelligence of the privileged groups. Recognizing the fact of the class struggle, they support the aggressive assertion of the rights of the exploited and the disinherited, and work for the just development of the economic and political powers which these classes potentially hold.

They believe that it is not impossible to secure sufficient ethical insight among all classes of society to prevent the class struggle from issuing in the violence of class war; and they devote their energies to the achievement of justice by non-violent means. They see little prospect, however, of such a development if a constantly increasing number in the privileged groups do not understand the ethical implications of the present structure of society more fully, recognize the extent of covert and overt violence inherent in the present order and its maintenance, and strive to reduce the moral pretensions which now obscure the social realities.

The Fellowship of Socialist Christians therefore has the following objectives:

1. To work out the full implications of Christian living for our economic order.
2. To encourage one another in rigorous self-discipline in the matter of income and expenditures, in the effort to practice those principles in our present society.
3. To bring to the Churches the conviction of the necessity of expressing Christian principles in socialist terms.
4. To stress the necessity for moral and religious resources for a change of heart and mind and will among all men of all classes.
5. To discover non-violent means of achieving social justice.
6. To cooperate with all religious or secular agencies which share these objectives.
7. To support the Socialist Party or such other party as may embody the purposes of socialism as the political organization most nearly approximating a political expression of Christian ethics for our day.

The Executive Committee of the Fellowship is composed of Reinhold Niebuhr, Winnifred Wygal, Frank Wilson, Roswell Barnes, Bradford Young, Evelyn Orne Young, John Bennett, Henry P. Van Dusen, and Francis A. Henson. Communications may be addressed to Evelyn Orne Young, 100 Adelphi Street, Brooklyn, New York.

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<sup>163</sup> *Ibid*, pp. 68, 69.  
<sup>164</sup> Harry W. Laidler, *Concentration in American Industry*, pp. 436-439.  
<sup>165</sup> *Hearings before the Committee on Banking and Currency, United States Senate, Stock Exchange Practices, 1933*, Part 2, pp. 905-907; see *Congressional Record*, February 23, 1933, for a long discussion of the Spider Web Chart and the interlocking directorates by Senator Norris.  
<sup>166</sup> *The New Republic*, July 26, 1933, p. 282.

#### 7. Industrial Warfare

- <sup>167</sup> Sumner H. Slichter, *Modern Economic Society*, p. 64.  
<sup>168</sup> *Final Report of the Commission on Industrial Relations*, Reprinted from Senate Document No. 415, 64th Congress, p. 183. See also Anna Rochester, *Labor and Coal*, pp. 163ff; Grace Hutchins, *Labor and Silk*, pp. 129ff; Charlotte Todes, *Labor and Lumber*, pp. 152ff; Robert Dunn, *Labor and Automobiles*, pp. 148ff; *The Kentucky Miners' Struggle*, published by the American Civil Liberties Union, 1932; Winifred L. Chappell, The Passaic Strike, *The Christian Century*, August 5, 1926, pp. 964-990.  
<sup>169</sup> Harry F. Ward, *Our Economic Morality*, p. 105.  
<sup>170</sup> *Final Report of the Commission on Industrial Relations*, pp. 233, 234.  
<sup>171</sup> Edward C. Kirkland, *A History of American Economic Life*, p. 589.  
<sup>172</sup> *Ibid*, pp. 591, 592.  
<sup>173</sup> *Final Report of the Commission on Industrial Relations*, pp. 96, 97.  
<sup>174</sup> Stuart Chase, in *American Labor Dynamics*, edited by J. B. S. Hardman, pp. 349, 350.



<sup>178</sup> Louis Adamic, *Dynamite: The Story of Class Violence in America*, pp. 104, 105.

<sup>179</sup> *Ibid.*, pp. 117-121.

<sup>180</sup> Harold U. Faulkner, *The Quest for Social Justice*, pp. 70, 71.

<sup>181</sup> E. E. Cummins, *The Labor Problem in the United States*, pp. 638, 639.

<sup>182</sup> Mary Heaton Vorse, in the *Nation*, March 17, 1926, p. 280.

<sup>183</sup> Wm. L. Nunn and Frederick E. Woltman, in the *Nation*, March 20, 1929, p. 338.

<sup>184</sup> Louis Stark, in the *New York Times*, September 28, 1931.

<sup>185</sup> Malcolm Cowley, in the *New Republic*, March 2, 1932, p. 68.

<sup>186</sup> *New Republic*, December 14, 1932, p. 113.

<sup>187</sup> Pp. 361, 427.

<sup>188</sup> Norman Thomas, *As I See It*, pp. 56, 57.

## Chapter V. A Socialist Program of Deliverance..... 122-199

### 1. Class Struggle Versus Class War

<sup>1</sup> Lewis Corey, *The House of Morgan*, p. 421.

<sup>2</sup> *The Commonwealth*, June 15, 1932, p. 175.

<sup>3</sup> Theodore F. MacManus and Norman Beasley, *Men, Money, and Motors*, pp. 156-165.

<sup>4</sup> E. H. H. Simmons, *Modern Capitalism*, p. 18.

<sup>5</sup> James Francis Burke, *Fruits of Combined Capital*, pp. 21, 22.

<sup>6</sup> Samuel Insull, *Public Utilities in Modern Life*, pp. 55, 65, 313, 361.

<sup>7</sup> Andrew Carnegie, *The Empire of Business*, pp. 135, 136, 137.

<sup>8</sup> Quoted by Abraham Epstein, *Insecurity: A Challenge to America*, p. 83.

<sup>9</sup> *Ibid.*, p. 82.

<sup>10</sup> See a brilliant chapter by Reinhold Niebuhr, *Moral Man and Immoral Society*, pp. 113-141.

<sup>11</sup> *Financial Chronicle*, October 18, 1924, Section 2, pp. 96-100.

<sup>12</sup> Pp. 74, 80, 88-90, 101-103, 114, 29.

<sup>13</sup> Henry F. Pringle, *Theodore Roosevelt*, pp. 153, 163, 164.

<sup>14</sup> *Ibid.*, p. 162.

<sup>15</sup> Norman Thomas, *The Socialist Cure for a Sick Society*, p. 19.

### 2. Triple Organization of Workers, Consumers and Voters

<sup>128a</sup> See Lewis L. Lorwin, *The American Federation of Labor*, a comprehensive and authoritative history and interpretation.

<sup>128b</sup> See Louis Adamic, "The Collapse of Organized Labor," *Harper's Monthly Magazine*, January, 1932; and Lyle W. Cooper, "The American Labor Movement in Prosperity and Depression," *American Economic Review*, Dec., 1932; and Harold Seidman, "Labor Racketeering," *The Nation*, August 16, 1933.

<sup>128c</sup> *Encyclopædia of the Social Sciences*, vol. 4, pp. 363, 386.

<sup>128d</sup> *Ibid.*, pp. 364, 365; *Whitaker's Almanack*, 1933, p. 643.

<sup>128e</sup> *American Labor Year Book*, 1932, p. 195.

### 3. Educating for an Equalitarian Society

<sup>129</sup> *Encyclopædia of the Social Sciences*, vol. 5, pp. 574-580, for an excellent article on "Equality."

<sup>130</sup> November 2, 1932, p. 36.

<sup>131</sup> February, 1931, pp. 657ff.

<sup>132</sup> October 8, 1932, p. 2373; October 22, 1932, p. 2695.

- <sup>21</sup> *Ibid*, Dec. 17, 1932, p. 4150.  
<sup>22</sup> *Ibid*, October 22, 1932, p. 2695, April 15, 1933, p. 2469; October 7, 1933, p. 2513.  
<sup>23</sup> *New York Times*, June 22, 1933.  
<sup>24</sup> May 30, 1931.  
<sup>25</sup> February, 1931, p. 659.  
<sup>26</sup> See R. H. Tawney, *Equality*; and Bernard Shaw, *The Intelligent Woman's Guide to Socialism and Capitalism*, for excellent discussions of the subject.  
<sup>27</sup> James 2:14-17, Goodspeed's Translation.

#### 4. Releasing Dynamic Incentives

- <sup>28</sup> *Statistical Abstract of the United States*, 1932, pp. 178, 179.  
<sup>29</sup> *Ibid*, p. 177. The year 1930 was more normal in American economic life, and in that year only 259,454 persons reported incomes as high as \$10,000. See *Statistics of Income for 1930*, p. 5.  
<sup>30</sup> *The World Tomorrow*, April 12, 1933, p. 350.  
<sup>31</sup> John Bates Clark, *The Problem of Monopoly*, p. 10.  
<sup>32</sup> *New York Times*, May 10, 1931.  
<sup>33</sup> *The Century Magazine*, Nov., 1932, p. 52.  
<sup>34</sup> *Christianity and the Social Crisis*, p. 235.  
<sup>35</sup> George R. Geiger, *The Philosophy of Henry George*, pp. 10, 11.  
<sup>36</sup> Harry F. Ward, *In Place of Profit*, pp. 36, 37.  
<sup>37</sup> *Ibid*, p. 46.  
<sup>38</sup> *Ibid*, p. 50.  
<sup>39</sup> *Can We Have National Planning Without a Revolution*, p. 22.  
<sup>40</sup> Ward, *op. cit.*, pp. 75, 76.  
<sup>41</sup> Stuart Chase, *A New Deal*, p. 49.  
<sup>42</sup> *United States Daily*, February 2, 1932, p. 2728.  
<sup>43</sup> *Abstract of the Fifteenth Census of the United States*, 1930, pp. 317, 318.

#### 5. Socialized Property

- <sup>44</sup> *The World Tomorrow*, December 28, 1932.  
<sup>45</sup> *World Almanac*, 1933, p. 419.  
<sup>46</sup> *Ibid*, p. 419.  
<sup>47</sup> *World Almanac*, 1933, p. 419.  
<sup>48</sup> P. 10.  
<sup>49</sup> *Financial Chronicle*, January 7, 1933, p. 80.  
<sup>50</sup> *New York Times*, May 5, 1927.  
<sup>51</sup> *Literary Digest*, October 28, 1922, p. 5.  
<sup>52</sup> Stuart Chase, in the *New York Times*, Feb. 13, 1927.  
<sup>53</sup> Theodore F. MacManus and Norman Beasley, *Men, Money and Motors*, p. 222.  
<sup>54</sup> Norman Thomas, *The Socialist Cure for a Sick Society*, p. 26.

#### 6. Socialized Banking and Credit

- <sup>55</sup> *The Nation*, March 22, 1933, p. 309.  
<sup>56</sup> *Annual Report of the Postmaster General*, 1932, p. 92; and *United States News*, July 15-22, 1933, p. 160.  
<sup>57</sup> See *Congressional Record*, March 3, 1933.  
<sup>58</sup> *Statistical Abstract of the United States*, 1932, p. 270; and *Financial Chronicle*, May 27, 1933, p. 3601.  
<sup>59</sup> *Business Week*, June 24, 1933, p. 23.  
<sup>60</sup> *Financial Chronicle*, June 10, 1933, p. 4026.  
<sup>61</sup> *Ibid*, May 27, 1933, p. 3647.

<sup>63</sup> *Ibid*, Feb. 18, 1933, p. 1147.

<sup>64</sup> *Proceedings of the Academy of Political Science*, January, 1933, p. 240.

<sup>65</sup> *Ibid*, pp. 151, 153.

<sup>66</sup> *The Forum*, July, 1933, p. 21.

<sup>67</sup> June, 1933, p. 11.

<sup>68</sup> For a criticism of the Canadian system, even though there are no bank failures in that country, see an article by J. F. Parkinson, *The World Tomorrow*, August, 1933.

### 7. Socialized Land and Agriculture

<sup>69</sup> Charles and Mary Beard, *The Rise of American Civilization*, vol. 2, p. 170.

<sup>70</sup> Arthur Pound, Editor, *More They Told Barron*, p. 61.

<sup>71</sup> *Encyclopædia Britannica*, 14th edition, vol. 13, p. 681.

<sup>72</sup> Kenneth Porter, *John Jacob Astor*, pp. 910ff.

<sup>73</sup> *Ibid*, p. 939.

<sup>74</sup> Donald Elliott Bridgman, *An Examination into the Economic Causes of Large Fortunes in This Country*, p. 16.

<sup>75</sup> Gustavus Myers, *History of the Great American Fortunes*, p. 238.

<sup>76</sup> *Current History Magazine*, December, 1924, p. 419. Error in original table.

<sup>77</sup> *New York Times*, Feb. 12, 1927.

<sup>78</sup> See George R. Geiger, *The Philosophy of Henry George*.

<sup>79</sup> *Encyclopædia Britannica*, 14th edition, vol. 20, p. 713.

<sup>80</sup> See a valuable pamphlet, *The Farmer States His Case*, published by the Social Action Movement, Owen M. Greer, Secretary, Elmhurst, Illinois.

<sup>81</sup> See Charles A. Beard, Editor, *America Faces the Future*, pp. 311ff. for a discussion of large-scale farming.

<sup>82</sup> March 29, 1933.

### 8. Adequate Public Relief

<sup>83</sup> *Scribner's Magazine*, September, 1933, pp. 129, 130.

<sup>84</sup> Release of July 28, 1933.

<sup>85</sup> *United States News*, July 1-8, 1933.

<sup>86</sup> *Literary Digest*, June 24, 1933, p. 17.

<sup>87</sup> *New York Times*, September 29, 1932.

<sup>88</sup> *Federal Aid for Unemployment Relief*, Hearings Before Subcommittee of the Committee on Manufactures, U. S. Senate, January, 1933, part I, pp. 427, 428.

<sup>89</sup> *Congressional Record*, February 20, 1933, addresses by Senators LaFollette and Costigan.

<sup>90</sup> *United States News*, July 1-8, 1933.

<sup>91</sup> *Statistics of Income for 1930*, p. 5.

### 9. Social Insurance

<sup>92</sup> Royal Commission on Unemployment Insurance, *Final Report*, 1932, p. 23.

<sup>93</sup> Abraham Epstein, *Insecurity: A Challenge to America*, pp. 366, 367. Italics mine.

<sup>94</sup> *Ibid*, p. 364.

<sup>95</sup> *Ibid*, p. 370.

<sup>96</sup> *Ibid*, p. 363.

<sup>97</sup> Royal Commission on Unemployment Insurance, *Final Report*, 1932, p. 20; the British figures are respectively: 15s. 3d; 13s. 6d; 27s. 3d.

<sup>98</sup> *Ibid*, pp. 57, 58.

<sup>99</sup> For details see Percy Cohen, *The British System of Social Insurance*, pp. 149-152.

<sup>90</sup> Epstein, *op. cit.*, pp. 363, 364; Paul H. Douglas and Aaron Director, *The Problem of Unemployment*, p. 418. Italics mine.

<sup>100</sup> Barbara Nachtrieb Armstrong, *Insuring the Essentials*, p. 512.

<sup>111</sup> Mary Barnett Gilson, *Unemployment Insurance in Great Britain*, pp. 375, 389, 391.

<sup>1</sup> Royal Commission on Unemployment Insurance, *Final Report*, pp. 102, 103.

<sup>2</sup> *Ibid.*, pp. 487, 488. Italics mine.

<sup>3</sup> Epstein, *op. cit.*, p. 411.

<sup>108</sup> *Medical Care for the American People*, pp. 14, 4.

<sup>5</sup> *Ibid.*, pp. 5ff.

<sup>107</sup> Epstein, *op. cit.*, p. 472; Cohen, *op. cit.*, pp. 27, 28.

<sup>6</sup> *Ibid.*, p. 594.

<sup>9</sup> *Ibid.*, pp. 600, 601.

<sup>0</sup> Armstrong, *op. cit.*, p. 256.

<sup>111</sup> *Abstract of the Fifteenth Census of the United States, 1930*, p. 182.

<sup>1</sup> Epstein, *op. cit.*, p. 536.

<sup>112</sup> *Ibid.*, p. 536.

<sup>114</sup> *Ibid.*, pp. 629, 632. For recent figures concerning social insurance in the United States, see *Social Security in the United States*, published by American Association for Social Security, New York City.

#### 10. Minimum Wage and Family Wage

<sup>114</sup> See Paul H. Douglas, *The Family Wage*.

<sup>116</sup> Epstein, *op. cit.*, p. 647

#### 11. Extension of Public Services

<sup>117</sup> *Statistical Abstract of the United States, 1932*, pp. 101-104.

<sup>118</sup> *Recent Social Trends in the United States*, Report of the President's Research Committee on Social Trends, vol. 2, p. 889.

<sup>119</sup> *Ibid.*, vol. 1, p. 331.

<sup>120</sup> *Ibid.*, vol. 2, p. 1108.

<sup>121</sup> *Ibid.*, vol. 2, p. 1107. Italics mine.

<sup>122</sup> *Ibid.*, vol. 2, p. 1107.

<sup>123</sup> *Ibid.*, vol. 2, p. 1104.

<sup>124</sup> *Medical Care for the American People*, pp. 109, 118, 120.

<sup>125</sup> *Ibid.*, pp. 189ff.

<sup>126</sup> *Recent Social Trends, op. cit.*, vol. 2, p. 914.

<sup>127</sup> *Ibid.*, vol. 2, p. 919.

<sup>128</sup> *Ibid.*, vol. 2, pp. 915-918.

#### 12. Taxation as an Instrument of Equalization

<sup>129</sup> *The Internal Debts of the United States*, edited by Evans Clark, p. 249.

<sup>130</sup> *Statistics of Income for 1931* (Preliminary Report), U. S. Treasury Department, p. 6.

<sup>131</sup> *Statistics of Income for 1930*, p. 5.

<sup>132</sup> *Statistics of Income for 1929*, p. 5.

<sup>133</sup> *Statistics of Income for 1928*, p. 4.

<sup>134</sup> *Statistics of Income for 1927*, p. 4.

<sup>135</sup> *Statistics of Income for 1926*, p. 4.

<sup>136</sup> *Statistics of Income: 1930*, p. 17; 1929, p. 15; 1928, p. 18; 1927, p. 14; 1926, p. 10.

<sup>137</sup> John Willard Roberts, *Building Permanent Prosperity*, pp. 14, 15.

<sup>138</sup> *Statistics of Income*: 1930, p. 276; 1929, p. 340; 1928, p. 318; 1927, p. 312; 1926, p. 315.

<sup>139</sup> *Political Science Quarterly*, March, 1933, p. 5.

<sup>140</sup> *American Bankers Association Journal*, March, 1933, p. 5.

<sup>141</sup> *Financial Chronicle*, August 5, 1933, p. 911.

<sup>142</sup> *Statistics of Income for 1930*, pp. 54-59.

<sup>143</sup> *Statistics of Income for 1929*, pp. 46-51.

<sup>144</sup> *Statistical Abstract of the United States*, 1932, p. 196.

### 13. Social Planning

<sup>145</sup> See the following volumes: George Soule, *A Planned Society*; Harry W. Laidler, editor, *Socialist Planning and a Socialist Program*; Charles A. Beard, editor, *America Faces the Future*; Stuart Chase, *A New Deal*; Harold Rugg, *The Great Technology*.

<sup>146</sup> See Beard, *op. cit.*, pp. 160 ff., 196 ff.

<sup>147</sup> *Proceedings of the American Economic Association*, March, 1932, p. 83.

<sup>148</sup> *Ibid*, pp. 88-90. Italics mine.

<sup>149</sup> *Establishment of National Economic Council*. Hearings before a Subcommittee of the Committee on Manufactures, U. S. Senate, October, 1931, Part I, p. 373. Italics mine.

<sup>150</sup> *Annals of the American Academy of Political and Social Science*, July, 1932, pp. 10, 11.

<sup>151</sup> For an outline plan for the coal industry under socialism, see a chapter in *Socialist Planning and a Socialist Program*, edited by Harry W. Laidler, pp. 129-134.

### 14. World Planning

<sup>152</sup> For a more comprehensive consideration of problems affecting war and peace, see *National Defense*, by Kirby Page, and *The Fight for Peace*, by Devere Allen.

<sup>153</sup> G. P. Gooch, *Recent Revelations of Diplomacy*, 1930 edition, pp. 206-214. Italics mine.

<sup>154</sup> Sidney B. Fay, *The Origins of the World War*, vol. 2, pp. 547, 558, italics mine.

## Chapter VI. A Socialist Critique of Communist Strategy. . . . 200-235

<sup>1</sup> *Encyclopædia of the Social Sciences*, vol. 4, p. 81.

<sup>2</sup> See Reinhold Niebuhr, "The Opposition in Germany," *The New Republic*, June 28, 1933, p. 170.

### 2. The Communist Theory of Social Change

<sup>3</sup> *Collected Works of V. I. Lenin*, vol. 20, Book 1, p. 85.

<sup>4</sup> Lenin, vol. 20, Book 1, pp. 203, 156; Book 2, p. 204.

<sup>5</sup> *Ibid*, vol. 20, Book 1, pp. 141, 221; see also *ibid*, pp. 44, 52, 231.

<sup>6</sup> *Ibid*, vol. 21, Book 2, p. 166.

<sup>7</sup> Sidney Hook, *Towards the Understanding of Karl Marx*, p. 282.

<sup>8</sup> *Ibid*, pp. 289, 305.

<sup>9</sup> Lenin, vol. 20, Book 1, p. 58.

<sup>10</sup> *Ibid*, vol. 21, Book 2, pp. 171, 179, 235.

<sup>11</sup> *Ibid*, vol. 21, Book 2, p. 245.

<sup>12</sup> *Ibid*, vol. 21, Book 2, p. 176.

<sup>13</sup> Joseph Stalin, *Leninism*, pp. 22, 26.

<sup>14</sup> *Ibid.*, p. 14.

<sup>15</sup> Wm. Z. Foster, *Toward Soviet America*, pp. 213, 214, 219.

<sup>16</sup> Hook, *op. cit.*, pp. 270, 273.

<sup>17</sup> Lenin, vol. 21, Book 2, p. 161.

<sup>18</sup> *Ibid.*, vol. 21, Book 2, p. 166.

<sup>19</sup> Quoted by Harry W. Laidler, *A History of Socialist Thought*, p. 488.

### 3. Decisive Factors in the Russian Revolution

<sup>20</sup> Lenin, vol. 20, Book 1, p. 271; see Preface to Plekhanoff's translation of the *Communist Manifesto* for a different prophecy.

<sup>21</sup> Hook, *op. cit.*, p. 23.

<sup>22</sup> Lenin, vol. 20, Book 1, pp. 31, 86, 200.

<sup>23</sup> *The New Clarion*, July 22, 1933, p. 112.

<sup>24</sup> Leon Trotsky, *The History of the Russian Revolution*, vol. 1, p. 9.

<sup>25</sup> *Ibid.*, vol. 1, p. 420.

<sup>26</sup> *Ibid.*, vol. 2, p. 345.

<sup>27</sup> *Ibid.*, vol. 1, p. 43.

<sup>28</sup> *Ibid.*, vol. 3, p. 17.

<sup>29</sup> *Ibid.*, vol. 3, pp. 17, 34, 35.

<sup>30</sup> *Ibid.*, vol. 1, p. 19.

<sup>31</sup> *Ibid.*, vol. 1, p. 20.

<sup>32</sup> *Ibid.*, vol. 1, p. 56.

<sup>33</sup> *Ibid.*, vol. 1, pp. 64, 59.

<sup>34</sup> *Ibid.*, vol. 1, p. 79.

<sup>35</sup> *Ibid.*, vol. 1, p. 255.

<sup>36</sup> *Ibid.*, vol. 1, pp. 260, 261.

<sup>37</sup> *Ibid.*, vol. 1, p. 380.

<sup>38</sup> *Ibid.*, vol. 1, pp. 78, 124, 125, 127, 129, 175.

<sup>39</sup> *Ibid.*, vol. 1, p. 141.

<sup>40</sup> *Ibid.*, vol. 3, p. 72.

<sup>41</sup> *Ibid.*, vol. 1, p. 12.

<sup>42</sup> Lenin, vol. 20, Book 1, p. 283.

<sup>43</sup> *Ibid.*, vol. 20, Book 2, pp. 195, 196.

<sup>44</sup> *Ibid.*, vol. 21, Book 2, p. 28.

<sup>45</sup> Trotsky, vol. 2, p. 296.

<sup>46</sup> See Trotsky, vol. 3, pp. 99, 106, 123, 186, 215.

<sup>47</sup> *Ibid.*, vol. 3, p. 123.

<sup>48</sup> *Ibid.*, vol. 1, p. 460.

<sup>49</sup> *Ibid.*, vol. 3, pp. 181, 182.

<sup>50</sup> *Ibid.*, vol. 3, pp. 222, 224.

<sup>51</sup> *Ibid.*, vol. 3, p. 264.

<sup>52</sup> *Ibid.*, vol. 3, p. 225.

<sup>53</sup> *Ibid.*, vol. 3, p. 300.

<sup>54</sup> Lenin, vol. 21, Book 2, p. 144.

<sup>55</sup> Trotsky, vol. 3, p. 154.

<sup>56</sup> *Ibid.*, vol. 3, p. 175.

### 4. Decisive Factors in the American Scene

<sup>57</sup> Lenin, vol. 18, p. 149.

<sup>58</sup> Foster, *op. cit.*, pp. 40, 41.

<sup>59</sup> July, 1933, p. 40.

<sup>60</sup> *Current History Magazine*, July, 1933, p. 414.

- <sup>61</sup> Frederick C. Mills, *Economic Tendencies in the United States*, pp. 26, 192, 290.
- <sup>62</sup> *Proceedings of the Academy of Political Science*, June, 1928, p. 3.
- <sup>63</sup> Stuart Chase, *Technocracy*, p. 20.
- <sup>64</sup> *Ibid*, p. 23.
- <sup>65</sup> *Ibid*, p. 14.
- <sup>66</sup> *Ibid*, p. 15.
- <sup>67</sup> Frank Arkwright, *The A. B. C. of Technocracy*, pp. 28, 41.
- <sup>68</sup> News Release No. 416, July 26, 1932.
- <sup>69</sup> Harold J. Laski, *Democracy in Crisis*, pp. 14, 15; Norman Thomas in *The World Tomorrow*, August 31, 1933.
- <sup>70</sup> *The Communist*, August, 1933, pp. 711, 713.
- <sup>71</sup> Harold J. Laski, *Karl Marx*, pp. 38, 39 (League for Industrial Democracy Edition).
- <sup>72</sup> Lenin, vol. 20, Book 1, pp. 117, 144.
- <sup>73</sup> See Lenin, vol. 21, Book 1, p. 221; vol. 21, Book 2, pp. 106, 109; Trotsky, vol. 3, pp. 276, 290.
- <sup>74</sup> *Statistical Abstract of the United States*, 1932, p. 52.
- <sup>75</sup> *The Conference Board Bulletin*, February 20, 1932, p. 493.
- <sup>76</sup> News Release No. 448, February 26, 1933.
- <sup>77</sup> *The American Year Book*, 1932, p. 374.
- <sup>78</sup> *World Almanac*, 1933, p. 339.
- <sup>79</sup> Evans Clark, *op. cit.*, p. 19.
- <sup>80</sup> *Statistical Abstract of the United States*, 1932, p. 282.
- <sup>81</sup> *World Almanac*, 1933, p. 537.
- <sup>82</sup> *Recent Social Trends in the United States*, vol. 2, p. 940.
- <sup>83</sup> *American Year Book*, 1932, p. 505.
- <sup>84</sup> Quoted in the *Adelphi*, May, 1933, p. 129.
- <sup>85</sup> Quoted by Laidler, *op. cit.*, p. 484.
- <sup>86</sup> *The New Deal*, pp. 159, 160.
- <sup>87</sup> *Moral Man and Immoral Society*, p. 220.

### 5. *The Time Factor in Revolutionary Change*

- <sup>88</sup> Joseph Stalin, *Leninism*, vol. 2, pp. 45, 71, 93.
- <sup>89</sup> Pp. 707, 716, 717, 725.
- <sup>90</sup> Lenin, vol. 21, Book 1, p. 256.
- <sup>91</sup> Trotsky, vol. 3, p. 335.

### 6. *Is Peaceful Revolution Possible?*

- <sup>92</sup> Quoted in the *Adelphi*, May, 1933, p. 81.
- <sup>93</sup> Lenin, vol. 21, Book 1, p. 146.
- <sup>94</sup> *Ibid*, vol. 21, Book 1, p. 153.
- <sup>95</sup> *Ibid*, vol. 20, Book 2, pp. 201, 203.
- <sup>96</sup> See Lenin, vol. 21, Book 1, pp. 37, 43, 58, 108, 170, 238, 242, 263.
- <sup>97</sup> Lenin, vol. 21, Book 2, pp. 69, 70. See also his reference to peaceful revolution in Finland, vol. 20, Book 1, pp. 55, 56.
- <sup>98</sup> *The Adelphi*, May, 1933, p. 80.
- <sup>99</sup> Lenin, vol. 21, Book 1, p. 154.

### 7. *Is a United Front of Communists and Socialists Practicable?*

- <sup>100</sup> *New York Times*, April 10, 1933.
- <sup>101</sup> Quoted in the *Communist*, April, 1933, p. 331. Italics mine.
- <sup>102</sup> *Ibid*, August, 1933, pp. 752, 723. Italics mine.

- <sup>108</sup> *Ibid*, October, 1932, pp. 879, 881.  
<sup>109</sup> Lenin, vol. 20, Book 1, pp. 87, 110.  
<sup>108</sup> *The Daily Worker*, March 30, 1932.  
<sup>108</sup> *Ibid*, June 7, 1933.  
<sup>107</sup> *Ibid*, July 1, 1931.  
<sup>108</sup> *Ibid*, May 19, 1933.  
<sup>108</sup> *Ibid*, June 3, 1933.  
<sup>110</sup> *The Communist*, April, 1933, p. 334.  
<sup>111</sup> *The Daily Worker*, August, 1, 1933.  
<sup>112</sup> Foster, *op. cit.*, pp. 189, 193, 241.  
<sup>112</sup> *Encyclopædia of the Social Sciences*, vol. 4, p. 90.  
<sup>114</sup> *Ibid*, p. 91; the text of the Constitution of the Communist International is printed in Jerome Davis, *Contemporary Social Movements*, pp. 82-85.  
<sup>112</sup> Stalin, *Leninism*, vol. 2, pp. 85, 125, 126, 319, 320.  
<sup>116</sup> *The Daily Worker*, May 19, 1933.  
<sup>117</sup> Lenin, vol. 21, Book 1, p. 137.  
<sup>118</sup> See George Soule, *Against Revolution*.

## Chapter VII. The Menace of Fascism..... 236-263

### 1. The Origin and Development of Fascism Under Mussolini

- <sup>1</sup> Jerome Davis, *Contemporary Social Movements*, p. 445.  
<sup>2</sup> *Ibid*, pp. 491, 492.  
<sup>3</sup> *Ibid*, p. 435.  
<sup>4</sup> *Encyclopædia Britannica*, vol. 12, p. 820.  
<sup>5</sup> Davis, *op. cit.*, p. 440.  
<sup>6</sup> *Ibid*, pp. 433, 434.  
<sup>7</sup> *Ibid*, pp. 448, 449.  
<sup>8</sup> *Ibid*, pp. 450, 496.  
<sup>9</sup> *Ibid*, p. 464.  
<sup>10</sup> Luigi Villari, *Encyclopædia Britannica*, 14th edition, vol. 9, p. 103.  
<sup>11</sup> Davis, *op. cit.*, pp. 489, 490.  
<sup>12</sup> *Encyclopædia of the Social Sciences*, vol. 6, p. 136.  
<sup>13</sup> Davis, *op. cit.*, p. 466.  
<sup>14</sup> Quoted by Scott Nearing, *Fascism*, p. 30.  
<sup>15</sup> *Bolshevism, Fascism and Capitalism*, Institute of Politics, p. 112.  
<sup>16</sup> *Ibid*, pp. 11, 99, 100, 204.  
<sup>17</sup> Nearing, *op. cit.*, p. 45.  
<sup>18</sup> Davis, *op. cit.*, p. 480.  
<sup>19</sup> *Ibid*, pp. 510, 511.

### 2. The Rise of Hitlerism

- <sup>20</sup> See *Foreign Policy Reports*, July 19, 1933, for an excellent history of Hitlerism.  
<sup>21</sup> *The New Republic*, July 5, 1933, p. 202.  
<sup>22</sup> *What Is Happening in Germany?* pp. 9, 10.  
<sup>23</sup> *American Federationist*, August, 1933, pp. 811-826, contains a vivid summary of the suppression of labor organizations.

### 3. The British Labor Party's Answer to Fascism

- <sup>24</sup> *The New Leader* (New York), April 22, 1933, p. 6.  
<sup>25</sup> *The New Clarion*, May 6, 1933, p. 422.  
<sup>26</sup> *Ibid*, April 15, 1933, p. 361.



- <sup>27</sup> *New Statesman and Nation*, April 8, 1933, p. 437.
- <sup>28</sup> *The New Clarion*, April 1, 1933, p. 322.
- <sup>29</sup> *The Adelphi*, May, 1933, pp. 80, 87.
- <sup>30</sup> *Ibid*, August, 1933, p. 325.
- <sup>31</sup> *The New Leader* (London), May 5, 1933, p. 13.
- <sup>32</sup> *Ibid*, April 21, 1933, p. 15.
- <sup>33</sup> *Ibid*, June 30, 1933, p. 14.
- <sup>34</sup> *The New Republic*, May 31, 1933, pp. 61-63; For a Communist interpretation of the British scene, see John Strachey, *The Coming Struggle for Power*.

#### 4. *The Threat of Fascism in the United States*

- <sup>35</sup> See George Soule, *Against Revolution*.
- <sup>36</sup> July, 1933, p. 397.
- <sup>37</sup> *Current History Magazine*, September, 1933, pp. 701, 703.
- <sup>38</sup> Hearings before the Committee on Ways and Means, House of Representatives, May, 1933, *National Industrial Recovery*, p. 243.
- <sup>39</sup> August 19, 1933, p. 409.
- <sup>40</sup> *Ibid*, p. 417.
- <sup>41</sup> Davis Rich Dewey, *Financial History of the United States*, pp. 456, 457.
- <sup>42</sup> *Encyclopædia Britannica*, 14th edition, vol. 12, p. 141.
- <sup>43</sup> *The New Republic*, August 16, 1933, p. 16.
- <sup>44</sup> March 15, 1924, p. 1191.
- <sup>45</sup> *The New Leader* (New York), August 19, 1933, p. 12.
- <sup>46</sup> *Harpers' Magazine*, December, 1931, pp. 13 ff.
- <sup>47</sup> Dec. 5, 1931, pp. 3679, 3680.

### Chapter VIII. The Constitution, the Supreme Court, and Revolutionary Changes ..... 264-287

- <sup>1</sup> Louis B. Boudin, *Government by Judiciary*, vol. 2, pp. 524, 525.
- <sup>2</sup> *World Almanac*, 1933, p. 202.
- <sup>3</sup> Boudin, *op. cit.*, vol. 1, p. 248.
- <sup>4</sup> *Ibid*, vol. 2, p. 30.
- <sup>5</sup> *Current Literature*, December, 1911, p. 592.
- <sup>6</sup> Boudin, *op. cit.*, vol. 2, p. 29.
- <sup>7</sup> *Ibid*, vol. 1, pp. 378, 379.
- <sup>8</sup> *Ibid*, vol. 1, p. 129.
- <sup>9</sup> Charles A. and William Beard, *The American Leviathan*, p. 45.
- <sup>10</sup> Boudin, *op. cit.*, vol. 2, p. 316.
- <sup>11</sup> *Ibid*, vol. 1, p. 283.
- <sup>12</sup> *Ibid*, vol. 1, p. 311.
- <sup>13</sup> *Ibid*, vol. 1, p. 476.
- <sup>14</sup> *Ibid*, vol. 1, p. 466.
- <sup>15</sup> Beard, *op. cit.*, p. 129.
- <sup>16</sup> *Ibid*, pp. 130, 132.
- <sup>17</sup> See *American Law Review*, 1913, vol. 47, pp. 1-34; 161-189, also 1920, vol. 54, pp. 1-38; 193-230.
- <sup>18</sup> Boudin, *op. cit.*, vol. 1, p. 447.
- <sup>19</sup> *Ibid*, vol. 2, p. 134.
- <sup>20</sup> *Ibid*, vol. 2, pp. 134, 105.
- <sup>21</sup> Charles A. Beard, *Harper's Magazine*, February, 1930, p. 281.
- <sup>22</sup> Boudin, *op. cit.*, vol. 2, p. 531.
- <sup>23</sup> Morris R. Cohen, *Law and the Social Order*, p. 112.

- <sup>24</sup> Vol. 219, p. 472.  
<sup>25</sup> *Encyclopædia Britannica*, 14th edition, vol. 6, p. 321.  
<sup>26</sup> Boudin, *op. cit.*, vol. 1, p. 22.  
<sup>27</sup> *Mr. Justice Brandeis*, edited by Felix Frankfurter, Preface.  
<sup>28</sup> Boudin, *op. cit.*, vol. 1, p. 387.  
<sup>29</sup> *Ibid*, vol. 2, pp. 539, 540.  
<sup>30</sup> Cohen, *op. cit.*, p. 147.  
<sup>31</sup> January, February, March, 1933.  
<sup>32</sup> Boudin, *op. cit.*, vol. 2, p. 222.  
<sup>33</sup> *Ibid*, vol. 2, p. 492.  
<sup>34</sup> Charles Warren, *The Supreme Court in United States History*, vol. 1, p. 24.  
<sup>35</sup> Lindley D. Clark, *Labor Laws That Have Been Declared Unconstitutional*, p. 2, Bulletin No. 321, Bureau of Labor Statistics.  
<sup>36</sup> *Encyclopædia of the Social Sciences*, vol. 4, p. 257.  
<sup>37</sup> *Mr. Justice Brandeis, op. cit.*, p. 53.  
<sup>38</sup> *Yale Review*, Spring, 1933, pp. 478-490.  
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Chapter IX. Some Popular Objections to Socialism Examined ..... 288-301

- <sup>1</sup> *Annual Report of the Postmaster General*, 1932: pp. VII, IX, 55, 83, 99; 1931: pp. VI, 54, 83, 108; 1930: pp. 7, 52, 83, 117; 1929: pp. 5, 50, 83, 112; 1928: pp. 95, 120; 1927: pp. 93, 121.  
<sup>2</sup> *Ibid*, 1932, p. 134.  
<sup>3</sup> Clyde Kelly, *United States Postal Policy*, p. 86.  
<sup>4</sup> *Report to the President*, by Walker D. Hines, Director General of Railroads, for fourteen months ended March 1, 1920—Revised Edition, pp. 45, 46. Italics mine throughout this section.  
<sup>5</sup> *Ibid*, p. 21.  
<sup>6</sup> Walker D. Hines, *War History of American Railroads*, p. 234.  
<sup>7</sup> *Ibid*, pp. 15, 16, 8, 5, 130. Italics mine.  
<sup>8</sup> *Report to the President, op. cit.*, p. 25.  
<sup>9</sup> *War History, op. cit.*, pp. 159, 160, 162.  
<sup>10</sup> *Ibid*, p. 190.  
<sup>11</sup> *Ibid*, pp. 120, 127.  
<sup>12</sup> *Ibid*, pp. 217-219.  
<sup>13</sup> *Ibid*, pp. 230-233.  
<sup>14</sup> Sidney Hook, *Towards the Understanding of Karl Marx*, p. 147.  
<sup>15</sup> Karl Marx, *A Critique of Political Economy*, p. 11; quoted by Reinhold Niebuhr, *Moral Man and Immoral Society*, p. 145. Italics mine.  
<sup>16</sup> Harold J. Laski, *Karl Marx*, L.I.D. Edition, pp. 21, 26, 48.  
<sup>17</sup> A. D. Lindsay, *Karl Marx's Capital*, pp. 34, 35.



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